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Editorial AS WE SEE IT

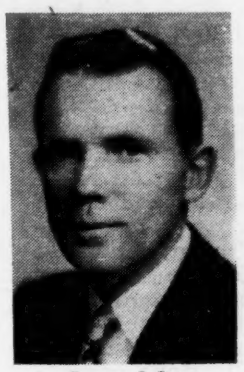
The Democratic Advisory Council has set forth its ideas of what ought to be in the party's platform next year. As was to be expected, the statement is replete with indictments of the Eisenhower Administration and the Republican party in general. Among its many charges—sometimes recklessly made—there are a number which are both important and essentially justified by the facts. If they had been made by some party whose record did not show many of the same infirmities and some that are much worse, and whose proposals for the future were more in line with the best interests of the country, a good deal of encouragement might be found in the document. As it stands, it is a disheartening assurance that the American people must either re-elect a Republican regime next year or else some other which will prove to be at least as unsatisfactory and quite possibly much worse.

It is, of course, distressingly true that the Eisenhower Administrations have incurred huge deficits, and that by and large these deficiencies have resulted from expenditures much larger than they should have been rather than a deficiency in tax collections. Of course, the Democratic organization does not take the trouble to explain that Democratically controlled Congresses have been at least as much responsible for these deficits as has the party in power at the White House—but after all this is a political document and unpleasant facts are not to be expected therein. It is well known, too, that government bonds have receded until purchasers in many cases now have sustained losses, realized or unrealized, of very substantial proportions. Of course, many of these obligations were issued during Democratic Administrations when wholly unwarranted tinkering with the banking and credit system had created artificially low interest rates and hence exceptionally high prices for bonds—but that, too, is a fact one can not *(Continued on page 83)*

Investment Bankers Association Holds 48th Annual Convention

James J. Lee succeeds William D. Kerr as President of investment bankers' trade group at annual meeting marked by attention paid to supplanting government overseas financing with private capital, and to improving our economy and labor-management relations. Principal speakers were: incoming and retiring President; His Excellency B. K. Nehru; Gabriel Hauge; Hon. James P. Mitchell and Hon. Samuel C. Waugh. Committee reports covered the gamut of topics of interest to the industry. The addresses, committee reports and other developments are provided in today's special IBA issue of the "Chronicle."

The 48th Annual Convention of the Investment Bankers Association of America held Nov. 29-Dec. 4 at the Americana Hotel, Bal Harbour, Fla., elected James J. Lee, Partner, W. E. Hutton & Co., New York, President of the Association on Dec. 3. He succeeds William D. Kerr, Partner, Bacon, Whipple & Co., Chicago.


James J. Lee

Five Vice-Presidents Elected

The Association also elected five Vice-Presidents. They are: William M. Adams, Braun, Bosworth & Company, Detroit, elected for his third consecutive term; Warren H. Crowell, Crowell, Weedon & Co., Los Angeles, and Edward Glassmeyer, Blyth & Co., Inc., New York, who were both elected for second consecutive terms; George A. Newton, G. H. Walker & Co., St. Louis; and Robert O. Shepard, Prescott, Shepard & Co., Inc., Cleveland.

The New President

Except for active duty with the U. S. Army Air Force during World War II, Mr. Lee has devoted his entire career to the investment banking industry.

Mr. Lee is a native of Massachusetts (born in Newton, Nov. 22, 1900). Upon graduation from Milton Academy (Milton, Mass.) in 1920, he enrolled in Harvard College where he obtained his A.B. degree in 1924.

In December of that year Mr. Lee joined Lee Higginson & Co., in Boston. Two years later he was sent to London, England, for an 18-month training period with Higginson & Co. He returned to the United States in 1927 to work in the New York office of Lee Higginson & Co., and continued with that firm until June, 1932, when he became a vice-president and director of the newly formed Lee Higginson Corporation.

During World War II he served for three years, 1942-1945, with the U. S. Army Air Force. As an intelligence officer, he spent two years in Africa, England, and Europe on the staff of General E. R. Quesada. He left the service with the rank of Lt. Colonel and returned to Lee Higginson Corporation and remained with that organization until December, 1951. The following month he joined W. E. Hutton & Co., as a general partner, the position he holds today.

Mr. Lee has been active in the affairs of the Investment Bankers Association of America since 1933 and has served on many Group and National Committees. He was a Governor of IBA, 1953-55.

Other positions of industry leadership held by Mr. Lee include various offices in the Association of Stock Exchange Firms, the National Association of Securities Dealers, Inc., and the Bond Club of New York. He served ASEF as a member of the board, 1952-57; Treasurer, 1953-54; and President, 1955-56. He was on NASD's District 13 (New York) Committee, 1948-49; was NASD Board member, 1949-52; and Chairman of the NASD Finance Committee, 1951. For the 1951-52 year he served as President of the Bond Club of New York.

Mr. Lee is a director of Southwest Natural Gas Company, Shreveport, La.

Much of Mr. Lee's time is given to civic and philanthropic work. Since *(Continued on page 94)*

IBA PICTORIAL COVERAGE IN SECTION TWO: Candid photographs taken during the course of the recent Annual Convention of the Investment Bankers Association of America, along with a list of those in attendance at the meeting, appear in SECTION TWO of today's issue.

The Security I Like Best . . .

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

This Week's Forum Participants and Their Selections

Alsco Inc. — Philip R. Herzig, Partner, Herzig, Farber & McKenna, New York City. (Page 2)

Pittsburgh Plate Glass—Lawrence S. Vlaun, of Auchincloss, Parker & Redpath, New York City. (Page 2)

PHILIP R. HERZIG
Partner, Herzig, Farber & McKenna
New York City

Alsco Incorporated

Aluminum is a *continuous growth industry*. Why? Because of the ever-increasing new uses which are being found for this metal. Now, of all the markets for aluminum, which has the largest potential? Obviously it is housing. And which is the leading company in this field? ALSCO! It has grown in ten years from a small fabricator of windows to the largest completely integrated independent producer of aluminum for homes.

Philip R. Herzig

Alsco's products are principally siding, but also include windows and roofing. Sales in the current fiscal year (May 31, 1960) are expected to reach $40 million. Earnings should rise to $2.25 a share, up from $1.36 on fiscal 1959's $27 million in sales. Projected sales growth into fiscal 1961 should lift earnings to $3.50 a share.

Despite these bullish facts, ALSCO sells at $21 on the American Stock Exchange, or only 10 times this year's earnings and 6.5 times next year's projected earnings. This is due to a lack of awareness on the part of the investing public of the dynamics of the "aluminum-for-housing" industry, as well as the scarcity of shares of companies in this line.

The use of aluminum in construction applications has increased substantially in the past decade, yet the potential, particularly in residential construction, has barely been scratched. In 1958 only 500 aluminum homes were built. The number by 1959 had increased to from 15 to 20 thousand. Should home construction decline in 1960, aluminum's market should be relatively unaffected, as by far the greatest proportion of aluminum in residential use goes into maintenance and renovations.

Concerning aluminum siding, ALSCO's chief product, Mr. William H. Slemp, Manager, Business Development-Residential for Kaiser Aluminum and Chemical Corp., states that "because of aluminum's many advantages as a residential siding material we anticipate that its use for this application within the next few years will more than double."

Industry estimates show that within ten years there will be an average of 1,000 pounds of aluminum in each home built, against approximately 150 pounds today. An aluminum home offers savings up to $200 a year in normal maintenance costs since aluminum is maintenance free and will last many years with only an occasional hose washing. At a distance of more than three feet it is impossible to tell pre-painted aluminum siding from wood. Aluminum siding is also an effective insulator.

Realizing the tremendous potential of the housing market, the major aluminum companies have gone heavily into advertising "aluminum for the home." It is significant that none of the major producers is in this end of the fabricating business. (They do not wish to compete with their customers.) It is obvious that all such generated interest therefore accrues to a company such as ALSCO.

The sales growth of ALSCO is an excellent measure of consumer acceptance of aluminum for housing. Sales have more than doubled in the five-year period from 1954 to 1959—$11 million to $26 million. However, the real breakout in sales is just beginning to materialize. A jump to $40 million is anticipated for the year ending May 31, 1960, with the following year showing a possible $50 million to $60 million. This should be made possible by completion in the first quarter of 1960 of a new rolling and strip mill.

Much of ALSCO's early growth was through acquisition. However, the recent growth has been all company generated. In order to meet the needs of its expanding markets and at the same time to reduce costs, the company in recent years has broadened its manufacturing activities. Present facilities are completely integrated, starting with ingot and pig aluminum (purchased chiefly from Kaiser) and moving through various intermediate and finishing operations.

High-cost sales directly in the retail market are being eliminated with concentration on wholesale distribution on a nationwide scale to insure a year-round outlet for production.

ALSCO's earnings over the past years have not kept pace with sales, due mainly to the numerous problems associated with financing the company's rapid growth. However, the road now seems clear for realization of substantial profit improvement. For the first half (ending Nov. 31st) of the present fiscal year sales are anticipated to be in the range of $20 million as against $27 million for the entire previous 12 months, and management estimates earnings for the six month period between $1.20 and $1.30 a share.

Equity capitalization of ALSCO consists of 802,755 shares of common stock, 65% owned by management, and $4 million 5½% convertible debentures in the hands of the public. Dividend payments on the common shares are 60c annually and are likely to continue at this rate in spite of prospective earnings improvement. This is because of increasing working capital requirements as volume expands. However, cash payments may well be supplemented by stock dividends.

Ordinarily the shares of a company with ALSCO's record and potentials could be expected to sell at 15 to 20 times current earnings. However, even if one wishes to appraise this leading company in a vast growth field at a conservative 10-12 multiplier, near term projection of earnings indicate a large potential over the next year.

LAWRENCE S. VLAUN
Auchincloss, Parker & Redpath, New York City
Members: New York Stock Exchange and American Stock Exchange

Pittsburgh Plate Glass

My choice for the "Security That I Like Best" column this year is Pittsburgh Plate Glass, a company bolstered by an aggressive management team whose sights are set on making 1960 a record year.

Lawrence S. Vlaun

PPG over a long period of years has contributed importantly to new product development and betterment of existing products in the flat glass, paint, and chemical fields. The company derives 45% of its sales from flat glass, the bulk of which goes to the automotive and building industries. Aside from the temporary repercussions of the steel strike, automotive demand for plate glass should be quite strong in 1960 — passenger car production at U. S. factories should be in the neighborhood of 6.5 to 7 million units, compared with an estimated 5.3 million units for 1959. Pittsburgh Plate Glass currently supplies all of Chrysler's glass requirements, most of American Motors' and about one-half of Ford's needs. PPG will be losing about 50% of Chrysler's business in 1960 since this auto manufacturer will commence to fabricate half its glass needs. However, this will affect PPG's earning power only to the extent of no more than $0.25 a share which will be more than offset by increased automobile production by Ford and American Motors, plus the more expansive use of glass in newly introduced cars.

The loss of about half of Chrysler's business in 1960 and subsequent years has been exaggerated and has caused undue weakness in the high quality investment grade shares of the company. Through Nov. 14, 1959, Chrysler had produced 646,000 automobiles. For full year 1959, Chrysler's production is expected to approach 725,000 units. Applying a $40 glass cost per car, Pittsburgh's glass volume from Chrysler should run in the neighborhood of $29 million in 1959. Had Pittsburgh Plate lost half this volume, or $14.5 million, and assuming a pretax profit margin of 20%, the company's earnings would be reduced by only $0.15 a share. Furthermore, a loss of $14.5 million accounts for only 2.6% of estimated 1959 sales of $550 million.

Demand for structural and tinted glass from the building industry should continue relatively strong. In analyzing plant expansion and modern office building construction, there is every indication that the rising trend of capital spending still has far to go in both time and distance; the high level of retained corporate income will more than compensate for any retarding influence that tight money may exert.

One of the greatest sources of strength for the Pittsburgh Plate Glass Company is the extremely high degree of integration that has been achieved within the organization. Its glass plants are strategically located near basic raw materials, including glass, sand and fuel. Furthermore, the glass operation is augmented by wholly-owned major limestone and salt

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(This is under no circumstances to be construed as an offer to sell, or as a solicitation of an offer to buy, any security referred to herein.)

The Stock Market in The Scientific Sixties

By Ralph A. Rotnem,* *Harris, Upham & Co., Members N. Y. Stock Exchange; Formerly President, N. Y. Society of Security Analysts*

Mr. Rotnem cites important challenges facing the investor, including alertness in recognizing the tremendous technological achievements in store for us. Pointing out the current market's unprecedentedly high pricing of both corporate earnings and assets, he maintains shares sold now will become replaceable at lower levels. Lists numerous bullish and bearish factors likely to affect market trends during 1960. Concludes that fresh market advance above last summer's peak would warrant a further shift of equity funds into bonds.

The investor faces one of the most challenging decades in history in what may well come to be known as the Scientific Sixties. Technological progress is so rapid that it has been estimated that 50% of the goods that will be used in 1975 are not known today. The alert investor with good sources of information may well find this his most profitable decade. The negligent holder of securities in companies that are not alert to scientific progress may be equally disappointed in his results. It will be a viciously selective ten years when the rewards of careful selection will be more apparent than ever before.

Ralph A. Rotnem

An equally interesting challenge faces the investor in the next year or two since it is quite possible that he can establish some of his good profits in the coming year and reinvest the proceeds later in a greater number of shares. This bull market is now in its 11th year—the longest major uptrend in history. Although the annual rate of appreciation in this period has been only 15½%—compared with an average of 47% for the preceding 13 bull markets of the past 62 years—the length of time it has been in progress has put the industrial average up 295% in ten years to a level that is 51% higher than it was in 1929, even allowing for the change in the value of the dollar in the meantime. A few years ago current levels of the market would have been considered a wild dream of an opium eater. We have gradually been overcoming our acrophobia—or our fear of high places.

The question of what the market is going to do becomes really important when one considers that the market value of issues listed on the New York Stock Exchange is $300 billion. A move of only 25%, which is fairly common, amounts to $75 billion. It is important therefore to look at the market from both technical and fundamental points of view.

Cost of Earning Power and Dividends

First let us compare values of today with those of the past. From 1926 through 1958 the price paid for $100 worth of earnings has averaged $1,376. Today the cost is 34% higher, or $1,850. The cost of buying average earnings of the past five years is now 46% more than it has been in the past 20 years. The cost of buying average earnings of the past ten years is now 32% more than it has been since 1935. The study of this type that we like best is the one we presented three years ago in which we deducted book values from the price of the averages before figuring price-earnings ratios. The reason for doing this is that even if there were no earnings in a given year we would still pay something for the assets of a company. In 1949 we had to pay less than book values for stocks, in 1953 we paid book values plus two times earnings, in 1957 we paid book values plus five times earnings, today we pay book values plus ten times earnings or around the highest level since 1929-30. Competition of bonds with stocks for investors' funds is also important. The ratio of the cost of buying $100 worth of interest on high-grade bonds to the cost of buying $100 worth of earnings on stocks is at an all-time high since 1929 (as figured after the abovementioned adjustments for book values). These two studies show that today we pay 54% and 74%, respectively, more for values than we have over the past 30 years.

In the past 33 years we have paid an average of $1,900 for $100 worth of annual dividends. Today we pay 68% more, or $3,200. The cost of buying book values today is 45% higher than the average cost in the past 30 years.

Averaging all of these costs we find that we are today paying 50% more for values than we have been willing to pay in the past. In other words, it takes $1,500 today to buy the same values that have cost $1,000 in the past.

Central or Fair Levels

About the same conclusion comes from a study of central values of fair levels which are figured in various ways by different services or individuals. Some of these are:

Benjamin Graham	346
Edgar S. Genstein	433
Value Line	575
Robert Storer	390
John Templeton	440
Average	437

On this basis the market is currently 53% above a fair or central value.

Also of interest is a comparison of stock and bond yields which

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EDITORIAL COVERAGE OF IBA CONVENTION

ADDRESSES

COMMITTEE REPORTS

CANDID PICTURES taken during the course of the Convention, also the Attendance List, appear in today's 32-page Pictorial Section.

Regular Features

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OBSERVATIONS...

BY A. WILFRED MAY

MR. NIXON'S REPLY

In this column, Sept. 17 last, analyzing the second Report of the Cabinet Committee on Price Stability for Economic Growth ("the Nixon Inflation Committee") we questioned its conclusion that the absence of extended price declines over the past 25 years signifies a "New Era" of Permanent Inflation. We maintained that the significance of the historical record depends on the period chosen. We further suggested that the substitution of the present "Cold" for the previous "Hot" variety of war constitutes a vital difference between the post-1945 and previous impermanent inflationary intervals.

On this Vice-President Nixon sends us the following commentary:

DEAR MR. MAY:

I have read with interest your comments on the most recent report of the Cabinet Committee on Price Stability for Economic Growth.

It is true, given the big swings up and down in the price level that have occurred in the past, that different-looking results can be gotten by choosing different base dates. We made the choice of "25 years ago" for what we thought was a sound reason. Around 25 years ago the New Deal introduced its labor and social security legislation, that has very possible made a significant difference to the behavior of prices. For example, since 1934 the level of wage *rates* (properly measured) has *never* shown a significant fall, during a recession or otherwise. This is quite a change from previous behavior. It is also true that the behavior of prices in peacetime has been different from their behavior in most of our previous peace-time history.

We do not accept either the dogma that inflation is inevitable nor the dogma that capitalism will collapse unless it has wars to avert it. What we do believe is that the public is much less willing than in the past to accept a depression, and that it would expect the government to pull out all the stops before a depression, with its attendant price fall, went very far. Hence, there is a ratchet effect if we do not nip in the bud any incipient rises in the price level.

Sincerely,

RICHARD NIXON

Office of the Vice-President
Washington,
Dec. 3, 1959

* * *

THE SEASON'S CAVEATS

Although many of our readers may have done their tax-motivated Christmas "Swapping" early, the offering of some long-term *caveats* surely is in order.

Neither investment nor tax considerations should supplant each other in the investor's portfolio decisions. And in any event, the realistic result of tax maneuvers should be the criterion.

For example, too often is the swapping to register a loss done without full regard to investment-value considerations, as into an issue in the same price range and/or same industry. The absurdity in such value-violation is demonstrated when the parallel lists of issues recommending a switch from stock "A" to "B" also carry a reversely-pointing arrow suggesting that an individual holding stock (B) at a loss, switch into issue (A). Surely such disregard of the comparative values between the issues is not followed when an investment is initiated.

A Material Omission from the Program

A vital omission from the full consideration of issue-to-issue swapping usually occurs in the failure to realize that if all goes as hoped-for in a subsequent rise of the switched-into issue, the switcher has merely bought into a future capital gains tax. Such later levy is only escapable in the event of the occurrence of the appropriate kind of usable losses, or death.

Hence, whenever practicable, and excepting its usability as an offset to a capital loss, your switched-into issue should be kept for permanent holding.

Unrealized switching into a new future tax liability also occurs in double-transactions to avoid a *wash sale*. Exemplifying, this is the combination of a short sale with a simultaneous purchase and holding the position for 30 days. Your present registration of a tax loss is again countered by the accompanying acquisition of an additional potential tax gain from the buy side of the transaction.

The acquisition of a future capital gain is practically automatic in the case of a switch into a bond selling at a discount. For, barring future insolvency, the issue will at maturity pay you off at the higher price of par. In the case of taxable bonds, the inclusion in the indicated gross yield of the appreciation, which is taxable at the 25%-maximum capital gain instead of the regular income rate, constitutes an important net yield advantage to the high-bracket investor. Contrastingly, in the case of tax-exempt bonds, which are free of tax on current income, but whose yield must be reduced by the capital gains tax on the amount of the issue's ultimate recovery to par, the discount constitutes a tax inroad.

On "Getting Poor Taking Profits"

While tax elements should not pre-empt investment judgment, neither should they be overlooked by a portfolio policy-maker. The ever-popular slogan "You can't get poor taking profits" might be valid were it not for the pervasive incidence of the Capital Gains Tax, which over the long run will entail attrition of one's capital—with the inroads being diverted to the Internal Revenue Department. Unfortunately you can't just wish away your tax bills!

In any event, when a decision is to be made regarding the sale of an issue with a large long-term unrealized capital appreciation, it must be deemed overvalued in relation to alternative investing opportunities, by the amount of the inescapable capital gains tax. Thus, if your Union Carbide, now selling at 140, cost you 40, your selling decision must take into account the following considerations: (a) Is your stock at 140 over-valued by the amount of the tax bill on liquidation of the profit, namely $25, or by 18% of the present price; or/and (b) Can you find another issue or other depositary for the proceeds, that constitutes a better value than your Carbide valued at 115 (the net realized after-tax proceeds per share)?

If your selling decision is not supported by these qualifications, over the long run you will be merely getting a return of capital, gradually reduced by the substantial share (the tax) going to the Internal Revenue Department.

The Facts on Stock Dividends

Likewise, the tax effect of the stock dividend calls for clarification. If you retain your stock distribution, since your proportionate interest in the business remains constant, it is not taxed. If the old cash dividend is maintained, your tax on the future dividends will, of course, be proportionally increased. But if you sell your stock distribution, the same as when you sell any of your original holdings, you are subject to the capital gains tax.

Tax Incidence on Rights

Rights to subscribe to additional stock in your own issuing company ordinarily are not taxable. But if the value of the right is less than 15% of the original stock, you are permitted to elect to treat the value of the right as being zero; thus preserving the full cost basis of your original stock.

Rights to subscribe to stock of other than the issuing company are taxable, since no dilution of the original ownership is involved.

Coast Exchange Member

The election of D. Rogers Hopkins, III, of Hopkins, Harbach & Co., Los Angeles, Calif., to membership in the Pacific Coast Stock Exchange, Los Angeles Division, effective Dec. 12, 1959, has been announced by William H. Jones, Board Chairman of the Division.

The new member, son of D. Roger Hopkins, Jr., a Senior Partner of Hopkins, Harbach & Co., entered the securities business in 1954. In 1955 he became associated with Hopkins, Harbach & Co. as a Floor Representative, and in Feb. 1959 he became a partner of the firm. As a member of the Exchange, he is operating one of the Specialist's Posts on the Trading Floor of the Los Angeles Division.

E. N. Potter to Admit

On January 1 Richard D. Buckley and David Satenberg will be admitted to limited partnership in E. N. Potter & Co., 65 Broadway, New York City, members of the New York Stock Exchange. Albert P. Hinckley will retire from the firm on the same date.

On Starting or Buying An Independent Business

By Roger W. Babson

Voicing strong support for efforts being made to encourage the growth of small businesses, Mr. Babson offers advice to young people particularly on buying or starting one of their own. He also furnishes the names of sources set up to foster the growth of small firms.

Young people often ask me whether they should start a business of their own. Of course, not everyone is suited to running a business. But success can be attained by those who will first learn the know-how of the type of business they would like to start, or else have as partners those who do.

Nation Depends on Independently Owned Business

In today's rapidly changing world, many young people are scared away from starting or buying a business by the risks involved. Inflation, high taxes, and necessarily small initial return lead them to choose the so-called "security" offered by a supposed permanent position with some large company. Unfortunately, we have made a fetish of such "security" in this country. Many of our young people think it is smarter to achieve "job security" than to forego this for the opportunity to own their own business.

So great has become our preoccupation with big business that we have lost sight of the self-controlled business' contribution to the growth and prosperity of our nation. Before World War I, we were a land of small property and business owners believing in property rights as well as human rights. Small business, though not popular in recent years, is still one of the bulwarks of our nation which we should strive to strengthen and encourage.

Need for Training

Don't go directly from school or college to start or buy a new business. Few of those who act so rashly achieve success. Some fail, losing not only their money and effort, but also, often, their confidence in themselves. Young people—either men or women—who feel they would like to start a small business of their own should first work for at least two years in a line similar to the one which they wish to enter or else buy control of an established business.

One should be well prepared to take the risks involved in business ownership. Study the market for your product or service by subscribing to a trade magazine in the line which you wish to enter. Competition during the next few years may be sharper than it is now for every business. I even predict that there will be a large number of new small business failures during the '60s. But remember that usually only the inefficient and the inept are crowded out. Better buy control of some existing successful business.

Spur to Incentive

I believe in small businesses, not because I think the future for them will be an easy one, but because I realize we need small business if our nation is to grow and prosper in the American tradition. Business ownership spurs incentive and develops character. It will also help make our people more conscious of our heritage of liberty. Therefore when buying control of a business it may be well always to have a number of small minority stockholders.

The encouragement of small business enterprise is one of the best ways to check the growing trend toward more government control. As the number of self-owned businessmen increases and as they assume more responsibility in civic and government affairs, the spread of the Federal bureaucracy will be slowed.

Government Aid to Small Business

The Federal Department of Commerce and many State and local government agencies offer help to the small businessman. Not long ago three major bills favoring small business passed Congress and were signed by the President. These provided long-needed tax relief for small business. Another suggestion is to join the National Small Business Men's Association, 163 North Union Street, Akron, Ohio.

Under the Small Business Investment Act, the Federal Government also sponsors investment companies whose primary purpose is to provide venture capital for small and expanding businesses. I strongly urge those who start or buy their own businesses to make good use of these government helps. I also suggest they write to Mr. Ernest Gaunt, 1633 Poe Avenue, Orlando, Fla., who has been a pioneer in this movement.

Southern Accent on Power

By Dr. Ira U. Cobleigh, Enterprise Economist

A review and projection of progress and profits of The Southern Co.

One of the major utility holding companies formed in the Roaring Twenties was Commonwealth and Southern. It had a famous President, Wendell Wilkie, who battled valiantly against the development and expansion of TVA, a public power facility right in the heart of C & S territory. TVA waxed great, while Commonwealth and Southern was, in 1947, dissolved and from it, a new integrated operating utility system emerged, The Southern Company. It is now the fourth largest operating utility system in the United States serving a 122,000 square mile area in the Southeast, having a population of more than 6½ million.

The Southern Company has, until recently, had to worry about possible further expansion of TVA into its service area, and that threat was disquieting to investors. Fortunately, however, the Congress this year passed a law limiting, in effect, future expansion of TVA to a maximum of 2,000 square miles, and implementing this limitation by agreements between Southern's operating companies and a number of the public power authorities in the region. So now the future of Southern Company is unclouded.

Southern Company has five major operating companies. The largest is Georgia Power Company supplying electricity to 90% of the state, 58,000 square miles, and 3.2 million in population including the cities of Atlanta, Columbus, Macon and Augusta. Atlanta is one of the major cities of the Southeast, a growing center of commerce, industry, banking and transportation. In 10 years Georgia Power has added 73% more customers; and, in the past five years total revenues ($129.7 million in 1958) have advanced at an annual rate of 8.4%. Georgia Power accounts for almost half of Southern Company's total revenues, and earned 5.8% on net plant investment in 1958.

Next in importance is Alabama Power Company, providing about 37% of system revenues, and serving with electricity 87% of the State of Alabama, with a population of 2,700,000 including Birmingham, Gadsden, Mobile and Montgomery. Here again growth has been steady and substantial. Gross last year was $106 million and has been rising at the rate of 9.1% for the past five years.

To provide for their expanding demands for electric power, Alabama Power and Georgia Power, three years ago, formed jointly the Southern Electric Generating Company to build a one million K.W. steam generating plant. This was designed to provide low cost power to both partners. The plant is of most modern design and construction, and by being located practically on top of coal mines in the Birmingham area, eliminates heavy fuel transportation costs. Total cost of this new facility, which includes sizable coal mining properties will be around $160 million. Half of the ultimate K.W. capacity will go on stream in 1960. The use of this new and economical power supply will make substantial contributions to net earnings of both parent companies in coming years.

The other two subsidiaries of Southern are smaller — Gulf Power serving 7,000 square miles in Northwest Florida including Pensacola; and Mississippi Power providing electricity to over 600,000 in a 11,500 square mile area embracing the Gulf Coast of the State and including the city of Biloxi. Gulf Power and Mississippi Power are of about the same size each, now grossing around $20 million annually.

The particular reason for looking at Southern Company at this time is that, while it is among the more rapidly growing electric utilities, its common stock is available at a more attractive price/earnings ratio than most of such. Southern Company now sells at about 20 times current earnings, against a ratio of 25 and more for a number of comparable growth utilities we might cite. Southern should earn about $1.90 this year and its forward projection is most interesting. By the 1962 year-end, net is expected to increase by 25%. Southern has increased its common dividend four times in the past five years.

This matter of growth in a utility depends importantly on territorial increase in population, and expansion of industrial and residential demands for electric power in the area served. Now in point of population the Southern Company service terrain is not growing at so rapid a rate as, say, Arizona or Nevada. But the purchase of electric power is moving swiftly ahead by virtue of rapid industrialization, and the above average growth in population and resources in the cities served, and in their suburban areas. Totally the growth rate of Southern of over 7% a year for the past five years compares with about 5¼% for the average utility during the same period. For the next five years, we would estimate for Southern a growth rate in the order of 8¼%.

Important in a consideration of Southern Company is the rapid swing away from major emphasis on cotton growing and textile mills in the area. Twenty years ago cotton was the predominant regional crop. Now tobacco, peanuts and livestock are important. Only 10 years ago the textile industry contributed 37% to Southern's gross, against only 25% today. The area resources particularly in timber, coal, iron, ore, oil and natural gas plus an adequate and low cost supply of labor have attracted new industries. The Gulf coast has numerous military bases and missile areas, and the fine deep water facilities have led to great advances in shipbuilding, overseas and coastwise shipping, pleasure and commercial fishing, and pleasure boating.

Something should be said about rates. Southern is in the unusual position of having sought no major rate increases for its operating units for several years; so when the time comes to ask for these, the company's petitions should be favorably received. The Florida Commission has had a liberal record in considering rates, allowing returns of 6½ to 7% of net plant investment. The Mississippi Commission has not been in business long enough to set any fixed pattern. Georgia has not been particularly progressive in past rate applications but Georgia Power should be favorably considered since it is today earning less than 6%. Alabama is one of the few states that include fair value rather than just historical costs when rate increases are considered. So in respect to regulation we see nothing particularly to bother Southern Company in the future.

In the two years 1959 and 1960, Southern will have spent $355 million on plant addition. This calls for substantial public financing, year by year, hewing to a general program of capitalization: 55% in long-term debt, 10% in preferreds and 35% in common. This provides good leverage for the common. The common listed on the New York Stock Exchange sells at 39¾. It paid a $1.20 last year, $1.30 this year, and should pay $1.40 in 1960.

Southern Company is a pleasingly accelerating enterprise. Its common stock is a respected equity buttressed by a rising long-term curve of earning power. If a Southern exposure is favorable to home owners, perhaps it is also favorable to stock buyers!

Eastman Dillon Branch

Eastman Dillon, Union Securities & Co. has opened its new midtown office in the Getty Building at 660 Madison Avenue, New York City.

The new offices will be managed by Fred J. Plimpton.

TAX-EXEMPT BOND MARKET

BY DONALD D. MACKEY

The demand for tax-exempt bonds has, during the past week, maintained the market for these securities in good technical balance. The deferment of the offering of $100,000,000 State of California bonds from December 9 to January 13 relieved the market of pressing new issue inventory volume that had been developing for weeks. For the next two weeks at least, the market seems well balanced.

During the last week a few sizable underwritings met with considerable investor interest including a $16,934,000 Houston, Texas School District issue offered on 12/14/59 which has been reduced to $4.5MM unsold balance. With new issues of lesser importance also meeting with good receptions, the secondary market volume as expressed by the "Blue List" shows but slight gain for the week. On 12/9/59 the state and municipal bond total was $326,550,697 as against $331,880,870 on Wednesday, Dec. 16.

A Sell-Out

The $66,800,000 State of New Jersey issue awarded 12/15/59 on a single bid (the bidding groups had consolidated) met with immediate success. The bonds were sold out of account during a brief order period. Successes of this nature, along with the unusually heavy volume of tax exchange business, contributed to an active, steady market. Again this week, it has been the aggressive bidding for important new issues that has generally sustained the market level. The tax exchange business has created activity, but theoretically at least it balances out as a market factor. Actually it may be a slight market depressant since the ultimate purpose is to establish loss.

However, beneath the new issue headlines and the bond market comments there are factors that although submerged in the order of emphasis must be considered, particularly by underwriters. *The Commercial and Financial Chronicle's* high grade bond (20 year average) Index has moved off fractionally again this week. Measured in yield the Index is 3.573% on 12/16 as against 3.565% last week (12/9/59). This underlying ease in secondary offerings at least confirms the trend of recent weeks if only in a token way. Other similar indexes have shown the same tendency.

Another evidence of basic market ease which concerns many is the large unsold balance of bonds in the New York State account. This $55,125,000 offering of 11/18/59 met with some initial success. At present about $20,000,000 of bonds remain in account with investor price ideas somewhat lower than the current offering.

Heavy Borrowing Ahead

Another important factor involves the new issue calendar. It is light for the remainder of 1959, as is usual for the last two weeks of December, but it expands in large volume beginning in January. Already scheduled are the following: $13,600,000 San Francisco, California bonds and $11,800,000 Seattle, Washington Water Revenue bonds both for 1/11/60 offering; $200,000,000 New York State Power Authority bonds and $8,000,000 Columbus, Ohio bonds both for 1/12/60; $100,000,000 State of California bonds for 1/13/60; $28,089,000 State of Washington bonds for 1/20/60. Seriously mentioned for offering in January are $100,000,000 or thereabouts of Public Housing Administration issues and a $32,000,000 Tacoma, Washington, Light and Power issue. Other important offerings are in various degrees of discussion.

With Treasury financing of large proportions scheduled early in the year, and with the usual volume of corporate underwriting looming, the bond market level seems certain to be tested to an extent not recently experienced. Heavy volume in January is of course not unusual. In the last few years the early year volume has been taken with an expansive market trend. This January the market seems likely to lack such momentum and a defensive market situation could result, temporarily at least. In the meantime, however, tax exempt bonds continue to yield handsomely.

The $66,800,000 State of New Jersey (1963-1975) issue was awarded 12/15/59 to a group combining all accounts. It included the Chase Manhattan Bank-Bankers Trust Company-The First National City Bank Morgan Guaranty Trust Company-Lehman Brothers and many other important underwriters. The bonds were scaled, using various coupons, to yield 3.40% for the 1974 and 1975 maturities. Although, as previously noted, the issue was sold out of account in quick order, some bonds are still available in the Street.

The Bank of America-Blyth & Company-The First Boston Corporation and others purchased $2,440,000 Los Angeles, California 4% bonds (1961-1980) on Tuesday (12/15/50). The offering was scaled to yield 3.85%. The issue is reported more than two-thirds sold.

Yesterday (Dec. 16) the City of Richmond, Virginia, awarded $8,800,000 (1961-1980) bonds to a group headed by Drexel & Company-First National City Bank-First National Bank of Chicago at a 3.31% interest cost. The offering is scaled to yield 3.35%. Interest in this issue is usually general.

Dollar Issues Stable

The dollar-quoted revenue bond issues continue to do relatively well. The quotations have varied little during the past week. Statements released this week by both the Kansas Turnpike and the Richmond-Petersburg Turnpike indicate substantial improvement during the past year. Further improvement, however is necessary in both instances before charges will be satisfactorily covered.

Other than $200,000,000 New York State Power Authority Term and Serial bonds scheduled for offering Jan. 12, 1960, there presently appear no other negotiated type issues ready for, or even close to the market. Large competitive public offerings will dominate in the first quarter of 1960.

MARKET ON REPRESENTATIVE SERIAL ISSUES

	Rate	Maturity	Bid	Asked
California (State)	3½%	1978-1980	4.00%	3.80%
Connecticut (State)	3¾%	1980-1982	3.55%	3.40%
New Jersey Highway Auth., Gtd.	3%	1978-1980	3.75%	3.60%
New York (State)	3%	1978-1979	3.75%	3.60%
Pennsylvania (State)	3⅜%	1974-1975	3.25%	3.10%
Vermont (State)	3⅛%	1978-1979	3.30%	3.15%
New Housing Auth. (N. Y., N. Y.)	3½%	1977-1980	3.40%	3.25%
Los Angeles, Calif.	3¾%	1978-1980	4.00%	3.85%
Baltimore, Md.	3¼%	1980	3.70%	3.55%
Cincinnati, Ohio	3½%	1980	3.55%	3.40%
New Orleans, La.	3¼%	1979	3.90%	3.75%
Chicago, Ill.	3¼%	1977	4.00%	3.80%
New York City, N. Y.	3%	1980	4.30%	4.20%

December 16, 1959 — Index = 3.5730

DOLLAR BOND QUOTES AND RELATED INFORMATION

(Prices and yields are approximate)

Issue—	First Callable Date (as a whole)	Call Price	Offering Price	Net Changes from Prev. Week	Yield to Maturity
Chelan Co., Wash. PUD No. 1 5% 7-1-2013	1-1-1978	100	108¼	−1	4.59%
Chicago-O'Hare Airport 4¾% 1-1-1999	1-1-1974	104¾	105½	+¼	4.45%
Chicago Reg. Port 4% 7-1-1995	7-1-1962	103½	93	−2	4.38%
Florida Turnpike Authority 3¼% 4-1-1995	4-1-1962	103½	83	−1½	4.17%
Grant Co., Wash. PUD No. 2 3⅞% 11-1-2005	5-1-1966	103	94	−1½	4.18%
Illinois Toll Highway 3¾% 1-1-1995	1-1-1965	103¾	73	+¾	5.50%
Illinois Toll Highway 4¾% 1-1-1998	1-1-1978	104¾	90	(*)	5.36%
Indiana Toll Highway 3½% 1-1-1994	1-1-1962	103	84½	−½	4.38%
Jacksonville, Fla. Exp. 4¼% 7-1-1992	7-1-1967	103	103½	−1¼	4.06%
Kansas Turnpike Authority 3⅜% 10-1-1994	10-1-1962	103	72½	(*)	5.04%
Kentucky Turnpike Authority 3.40% 7-1-1994	7-1-1960	104	90½	(*)	3.90%
Mackinac Bridge Authority 4% 1-1-1994	1-1-1964	108	84¼	−1¾	4.96%
Maine Turnpike Authority 4% 1-1-1989	1-1-1958	104	81¾	−¾	5.22%
Massachusetts Turnpike Authority 3.30% 5-1-1994	5-1-1962	103½	80½	−½	4.41%
Massachusetts Port Authority 4¾% 10-1-1998	10-1-1969	104	102½	−½	4.62%
New Jersey Turnpike Authority 3⅜% 7-1-1988	7-1-1958	103½	93	−½	3.77%
New York Power Authority 3.20% 1-1-1995	1-1-1963	103	82	−1½	4.17%
New York Power Authority 4.20% 1-1-2006	1-1-1970	103	100	−1½	4.20%
New York Thruway Authority 3.10% 7-1-1994	7-1-1960	103½	81½	−2	4.10%
Ohio Turnpike Authority 3¼% 6-1-1992	6-1-1959	103	83½	−1	4.17%
Pennsylvania Turnpike Authority 3.10% 6-1-1993	6-1-1959	103	81	−1½	4.14%
Richmond-Petersburg Turnpike 3.45% 7-1-1995	7-1-1963	103½	79	−½	4.65%
Tri-Dam Project, Calif. 3.05% 7-1-2004	7-1-1959	104	82	−½	3.91%
Virginia Toll Revenue 3% 9-1-1994	9-1-1959	105	84¼	(*)	3.82%

(*) Unchanged.

Phila. Secs. Ass'n Receives Slate

PHILADELPHIA, Pa.—Albert A. R. Wenzel, Manager of the Philadelphia office of Francis I. duPont & Co., has been nominated for President of the Philadelphia Securities Association. Mr. Wenzel will succeed Spencer D. Wright, III, of Wright, Wood & Co., whose term is expiring.

Albert A. R. Wenzel

The annual meeting and dinner of the association will be held on Wednesday, Jan. 20, 1960, at The Barclay Hotel, Rittenhouse Square, Philadelphia.

Other officers nominated to serve for one year were: Gordon L. Keen of R. W. Pressprich & Co., Vice-President; John P. McCoy of Thayer, Baker & Co., Treasurer and Phillips B. Street of The First Boston Corporation, Secretary.

The following have been nominated for the Association's Board of Governors to serve for two years: Gordon L. Keen; William A. Lacock of E. W. Clark & Co.; John P. McCoy and Phillips B. Street. Henry McK. Ingersoll of Smith, Barney & Co. has been nominated for a one-year term on the Board to fill a vacancy.

Larger Issues Scheduled For Sale

In the following tabulations we list the bond issues of $1,000,000 or more for which specific sale dates have been set.

Information, where available, includes name of borrower, amount of issue, maturity scale, and hour at which bids will be opened.

December 17 (Thursday)			
Miami-Trace Local Sch. Dist., Ohio	1,652,500	1960-1980	2:00 p.m.
Midland, Texas ($1,610,000 general oblig. and $1,500,000 revenue)	3,110,000	1960-1983	2:00 p.m.
North Robinson Local S. D., Ohio	1,250,000	1961-1983	7:00 p.m.
Oneida County, N. Y.	1,475,000	1960-1973	2:00 p.m.
Southbridge, Mass.	1,210,000	1961-1980	11:00 a.m.
December 18 (Friday)			
Adams Township Local S. D., Ohio	2,600,000	1961-1984	Noon
Perry Local School District, Ohio	1,650,000	1961-1980	Noon
December 21 (Monday)			
Lake County (P. O. Crown Point), Indiana	2,700,000	1961-1965	11:00 a.m.
Sandusky, Ohio	2,000,000	1960-1984	2:00 p.m.
December 23 (Wednesday)			
Eastwood Number Two Local S. D. Ohio	1,200,000	1961-1983	Noon
Trustees of Indiana Univ., Ind.	1,083,000	1960-1996	10:00 a.m.
December 29 (Tuesday)			
Ventura Union High Sch. D., Calif.	4,900,000	1961-1975	11:00 a.m.
January 5 (Tuesday)			
Paramount Unified Sch. Dt., Calif.	1,000,000	1961-1985	9:00 a.m.
Portland, Ore.	1,000,000	1962-1975	10:00 a.m.
Santa Monica Unified S. D., Calif.	2,500,000	1961-1980	9:00 a.m.
January 6 (Wednesday)			
San Jose, Calif.	4,435,000	1961-1980	11:00 a.m.
January 11 (Monday)			
Red Wing, Minn.	2,250,000	1962-1980	2:00 p.m.
San Francisco, Calif.	13,600,000	1961-1975	-------
Seattle, Wash.	11,800,000	-------	-------
Shively, Ky. (revenue)	3,850,000	-------	-------
Spring Branch Ind. Sch. Dist., Tex.	2,892,000	1961-1990	8:00 p.m.
January 12 (Tuesday)			
Columbus City School Dist., Ohio	8,000,000	1961-1983	Noon
January 13 (Wednesday)			
California (State of)	1,000,000	1961-1985	-------
January 15 (Friday)			
Howland Township Local School District, Ohio	1,775,000	1961-1984	3:00 p.m.
January 19 (Tuesday)			
Fullerton, Calif.	1,000,000	1961-1980	7:30 p.m.

Interest Exempt from present Federal Income Taxes

New Issue

December 16, 1959

$66,800,000

STATE OF NEW JERSEY

4%, 3¼%, 3⅜% and 3.40% Bonds

Dated January 1, 1960 **Due January 1, 1963-75, incl.**

Principal and semi-annual interest (July 1 and January 1) payable in Newark, N. J. at The National State Bank of Newark. Coupon bonds in denomination of $1,000, registrable as to both principal and interest and, at the expense of the holder, reconvertible into coupon bonds.

Tax Exempt in New Jersey

Legal Investment for Savings Banks and Trust Funds in New York State and for Savings Banks in Connecticut and Massachusetts

These Bonds, to be issued for State Higher Education purposes will constitute, in the opinion of counsel, valid and legally binding direct and general obligations of the State of New Jersey and the ***faith and credit*** of the State is pledged for the payment of the interest thereon as the same shall become due and the payment of the principal at maturity.

AMOUNTS, COUPON RATES, MATURITIES AND YIELDS OR PRICES
(Accrued interest to be added)

Amount	Rate	Due	Yield	Amount	Rate	Due	Yield or Price	Amount	Rate	Due	Yield or Price
$2,000,000	4%	1963	2.90%	$4,800,000	4%	1967	3.10%	$7,000,000	3⅜%	1972	3.35%
2,000,000	4	1964	2.95	5,000,000	3¼	1968	3.15	7,000,000	3⅜	1973	@100
2,000,000	4	1965	3.00	7,000,000	3¼	1969	3.20	7,000,000	3.40	1974	@100
2,000,000	4	1966	3.05	7,000,000	3¼	1970	@100	7,000,000	3.40	1975	@100
				7,000,000	3⅜	1971	3.30%				

The above Bonds are offered when, as and if issued and received by us, and subject to prior sale and approval of legality by the Attorney General of the State of New Jersey and by Messrs. Hawkins, Delafield & Wood, Attorneys, New York, N. Y.

The Chase Manhattan Bank
Bankers Trust Company
The First National City Bank of New York
Morgan Guaranty Trust Company of New York
Lehman Brothers
Smith, Barney & Co.
Halsey, Stuart & Co. Inc.
The First National Bank of Chicago
Drexel & Co.
Shields & Company

Harriman Ripley & Co. Incorporated
Phelps, Fenn & Co.
C. J. Devine & Co.
The Philadelphia National Bank
Salomon Bros. & Hutzler
The Northern Trust Company
Fidelity Union Trust Company Newark
National State Bank Newark

Merrill Lynch, Pierce, Fenner & Smith Incorporated
Eastman Dillon, Union Securities & Co.
The First National Bank of Oregon
Stone & Webster Securities Corporation
L. F. Rothschild & Co.
Blair & Co. Incorporated
B. J. Van Ingen & Co. Inc.
R. W. Pressprich & Co.

Bear, Stearns & Co.
Ladenburg, Thalmann & Co.
White, Weld & Co.
Mercantile Trust Company
Equitable Securities Corporation
Wertheim & Co.
Carl M. Loeb, Rhoades & Co.
Hornblower & Weeks
A. C. Allyn and Company Incorporated

Bache & Co.
Barr Brothers & Co.
A. G. Becker & Co. Incorporated
Boland, Saffin & Co.
J. C. Bradford & Co.
Braun, Bosworth & Co. Incorporated
Alex. Brown & Sons
California Bank Los Angeles
Clark, Dodge & Co.
Coffin & Burr Incorporated
Dick & Merle-Smith

R. S. Dickson & Company Incorporated
Dominick & Dominick
Francis I. duPont & Co.
Estabrook & Co.
First of Michigan Corporation
Geo. B. Gibbons & Company Incorporated
Gregory & Sons
Hallgarten & Co.
Ira Haupt & Co.
Hayden, Stone & Co.

Hemphill, Noyes & Co.
Hirsch & Co.
E. F. Hutton & Company
W. E. Hutton & Co.
Kean, Taylor & Co.
Laidlaw & Co.
Lee Higginson Corporation
The Marine Trust Company of Western New York
W. H. Morton & Co. Incorporated
F. S. Moseley & Co.

Paine, Webber, Jackson & Curtis
Reynolds & Co.
Roosevelt & Cross Incorporated
Schoellkopf, Hutton & Pomeroy, Inc.
Seattle-First National Bank
Shearson, Hammill & Co.
F. S. Smithers & Co.
Trust Company of Georgia

Tucker, Anthony & R. L. Day
Weeden & Co. Incorporated
Wood, Struthers & Co.
Adams, McEntee & Co., Inc.
American Securities Corporation
Bacon, Stevenson & Co.
Cruttenden, Podesta & Co.

A. Webster Dougherty & Co.
Eldredge & Co. Incorporated
Fitzpatrick, Sullivan & Co.
J. A. Hogle & Co.
The Ohio Company
Stroud & Company Incorporated
Spencer Trask & Co.
Van Alstyne, Noel & Co.
Van Deventer Brothers, Inc.

G. H. Walker & Co.
Chas. E. Weigold & Co. Incorporated
James A. Andrews & Co. Incorporated
Auchincloss, Parker & Redpath
Bacon, Whipple & Co.
Baker, Watts & Co.
Ball, Burge & Kraus
J. Barth & Co.
Bartow Leeds & Co.
Baxter & Company

William Blair & Company
Blunt Ellis & Simmons
The Boatmen's National Bank of St. Louis
Bramhall, Falion & Co., Inc.
Butcher & Sherrerd
City National Bank & Trust Co. Kansas City
Julien Collins & Company
Cooley & Company
Fahnestock & Co.

First Southwest Company
Folger, Nolan, Fleming-W. B. Hibbs & Co., Inc.
Foster & Marshall
Glickenhaus & Lembo
J. B. Hanauer & Co.
Hannahs, Ballin & Lee
Hayden, Miller & Co.
The Illinois Company Incorporated
Industrial National Bank of Providence

A. M. Kidder & Co., Inc.
King, Quirk & Co. Incorporated
John C. Legg & Company
McDonald & Co.
Mercantile-Safe Deposit and Trust Company
The Milwaukee Company
National Bank of Commerce of Seattle
National Bank of Westchester White Plains
Newburger, Loeb & Co.

Newhard, Cook & Co.
New York Hanseatic Corporation
Wm. E. Pollock & Co., Inc.
Rand & Co.
Republic National Bank of Dallas
Rippel & Co.
The Robinson-Humphrey Company, Inc.
Rodman & Renshaw
John J. Ryan & Co.

Schwabacher & Co.
Singer, Deane & Scribner
Stern Brothers & Co.
Stern, Lauer & Co.
Swiss American Corporation
Third National Bank in Nashville
Tilney & Company
Tuller & Zucker
Wallace, Geruldsen & Co.
J. C. Wheat & Co.

R. D. White & Company
Robert Winthrop & Co.
Wood, Gundy & Co., Inc.
F. R. Cole & Co.
The First Trenton National Bank
MacBride, Miller & Co.
Adams & Hinckley
J. R. Ross & Co.

DEALER-BROKER INVESTMENT LITERATURE AND RECOMMENDATIONS

IT IS UNDERSTOOD THAT THE FIRMS MENTIONED WILL BE PLEASED TO SEND INTERESTED PARTIES THE FOLLOWING LITERATURE:

Burnham View—Monthly Investment Letter — Burnham and Company, 15 Broad Street, New York 5, N. Y. Also available in current **Foreign Letter.**

Canadian Banking Industry—Review—W. C. Pitfield & Co., Inc., 30 Broad Street, New York 4, N. Y.

Canadian & U. S. Bond Markets—Report — Saunders Cameron Limited, 55 Yonge Street, Toronto 1. Ont., Canada.

Federal and State Stock Original Issue and Transfer Tax Rates—Booklet on current rates — Registrar and Transfer Company, 50 Church Street, New York 7, N. Y.

Fire-Casualty Insurance Stocks — Comparative figures on 50 issues— Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Gold and the Balance-of-Payments Deficits—Review—Draper Dobie and Company Ltd., 25 Adelaide Street, West, Toronto, Ont., Canada.

Investment Outlook — Bulletin — Edwards & Hanly, 100 North Franklin Street, Hempstead, N. Y.

Japanese Stock Market—Study of changes in postwar years — In current issue of "Nomura's Investors Beacon"—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also available is a review of the outlook for Plant and Equipment Expenditures in Japan for 1959 and brief analyses of **Mitsubishi Heavy Industries, Nippon Flour Mills Co., Iwaki Cement Co. and a survey of the Steel Industry.**

Japanese Stocks — Current Information — Yamaichi Securities Company of New York, Inc., 111 Broadway, New York 7, New York.

Life Insurance Stocks—Report—A. & J. Frank Co., Fifth Third Bank Building, Cincinnati 2, Ohio.

Mutual Fund Intelligence — Monthly newsletter for mutual fund sponsors, distributors and dealers on trends in the industry—Kalb, Voorhis & Co., Inc., Woodward Building, Washington, D. C.

Outlook for 1960—Circular—Parrish & Co., 40 Wall Street, New York 5, N. Y.

Over-the-Counter Index — Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 20-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Preferred Shares—Brochure with particular reference to **Aluminum Company of Canada, Limited, Massey-Ferguson Limited, Canadian Pacific Railway Company,** and **Traders Finance Corporation Ltd.** — James Richardson & Sons, Inc., 14 Wall Street, New York 5, N. Y.

Prospecting For 1960—Potentialities for share prices in the new year—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also available is a leaflet of 20 suggestions to save tax money, including switch suggestions.

SEC and Proxy Contests—Reprint of speech by Manuel F. Cohen before a meeting of the Federal Bar Association of New York, New Jersey and Connecticut—Georgeson & Co., 52 Wall Street, New York 5, N. Y.

Stocks — Suggestions in various categories — Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

Tax Switch Problems—Review—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Total Corporate Impact — Booklet on the establishment of a favorable "corporate image" — Albert Frank-Guenther Law, Inc., 131 Cedar Street, New York 6, N. Y.

What's Ahead For the Oils — In the December issue of "Exchange" — The "Exchange" Magazine, 11 Wall Street, New York 5, N. Y.—20 cents a copy; $1.50 per year. Also in the same issue are data on **Medusa Cement, Crowell Collier Publishing Company,** etc.

* * *

Allied Radio Corporation—Review —The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis. In the same circular are data on **Magnavox Company.** Also available is a report on **Standard Steel Products Manufacturing Company.**

American Felt Company — Analysis—May & Gannon, Inc., 140 Federal Street, Boston 10, Mass.

American Motors—Bulletin—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y. Also available are data on **J. P. Stevens, Falstaff Brewing, Consolidated Freightways,** and **Heublein,** and memoranda on **Cluett, Peabody & Co., Consolidated Edison Co., Emerson Electric Manufacturing Co.** and **Walt Disney Productions.**

American Viscose—Data—Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y. Also in the same circular are brief data on **Revlon.**

Assembly Products, Inc. — Report Straus, Blosser & McDowell, 111 Broadway, New York 6, N. Y. Also available are reports on **Moore Handley Hardware Co., Borman Food Stores, Inc.** and **Buckingham Freight Lines.**

Bank of Nova Scotia — Report — Ross, Knowles & Co., Ltd., 25 Adelaide Street, West, Toronto, Ont., Canada.

Bettinger Corporation — Analysis —William R. Staats & Co., 640 South Spring Street, Los Angeles 14, Calif.

Borg-Warner Corp—Memorandum —Dean Witter & Co., 14 Wall Street, New York 5, N. Y.

C. Brewer & Co., Ltd.—Memorandum—Butcher & Sherrerd, 1500 Walnut Street, Philadelphia 2, Pa.

British Industries Corp. — Memorandum — Jaffee, Leverton, Reiner Co., 2 Broadway, New York 4, N. Y.

Buckingham Freight Lines—Analysis — Cruttenden, Podesta & Co., 209 South La Salle Street, Chicago 4, Ill.

Chrysler Corp. — Memorandum — Oppenheimer & Co., 25 Broad Street, New York 4, N. Y.

Colgate-Palmolive — Report — du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same circular are reports on **National Shawmut Bank, Peabody Coal** and **Washington Water Power.**

Collins Radio Co. — Memorandum —Murch & Co., Hanna Building, Cleveland 15, Ohio.

Cott Beverage — Review — Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

First Charter Financial Corporation—Analysis—A. C. Allyn & Co., 122 South La Salle Street, Chicago 3, Ill. Also available is an analysis of **Sorg Paper Company.**

General Electronics, Inc — Report —B. S. Lichtenstein & Company, 99 Wall Street, New York 5, N. Y.

Great Northern Gas Utilities Ltd. —Analysis — Annett Partners Limited, 220 Bay Street, Toronto, Ont., Canada.

International Business Machines Corp.—Data—Alfred L. Vanden Broeck & Co., 55 Liberty Street, New York 5, N. Y. Also in the same circular are data on **Addressograph Multigraph Corp., Colgate - Palmolive Co.** and **Miles Laboratories.**

ITI Electronics, Inc. — Analysis — Edward Lewis Co., Inc., 82 Beaver Street, New York 5, N. Y.

Kelsey-Hayes Company — Review in December "Investor's Reader"—Merrill Lynch, Pierce Fenner & Smith, Incorporated, 70 Pine Street, New York 5, N. Y. In the same issue are reports on **Avco Corp., Chesapeake Corp. of Virginia, International Harvester Company, Harshaw Chemical, May Department Stores, Charles Bruning Company, American Photocopy Equipment Company** and **Royal McBee Corp.** Also available are memoranda on **Chase Manhattan Bank, Rohm & Hass Co.** and **Wheeling Steel Corp.**

(James) Lees & Sons Company—Analysis—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is an analysis of **Bell Telephone Company of Canada Ltd.** and a list of representative Canadian Securities.

Mansfield Tire & Rubber Company — Report — Alkow & Co., Inc., 50 Broadway, New York 4, N. Y.

W. L. Maxson Corporation—Analysis—H. Hentz & Co., 72 Wall Street, New York 5, N. Y. Also available is a memorandum on **Washington Gas Light Co.**

McCandless Corporation — Analysis—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

Moog Servocontrols. Inc. — Memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

Ohio Oil Company — Analysis — Hornblower & Weeks, 40 Wall Street, New York 5, N. Y.

Pipeline Corporation — Analysis—Carothers & Company, Inc., Mercantile Bank Building, Dallas 1, Texas.

Robertshaw Fulton—Report—Hill, Darlington & Co., 40 Wall Street, New York 5, N. Y. Also available is a memorandum on **Harris Intertype Corp.**

Texas Eastern Transmission Corp. —Memorandum — Scherck Richter Co., 320 North Fourth Street, St. Louis 2, Mo.

Thiokol Chemical Corporation — Report—Thomson & McKinnon, 2 Broadway, New York 4, N. Y.

Thrifty Drug Stores Co., Inc. — Analysis—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

United States Steel Corporation—Analysis—Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available are reports on **American Steel Foundries** and **Spiegel, Inc.**

Vulcan Materials Company —Report—Bertrand W. Hall & Co., 52 Broadway, New York 4, N. Y.

Warner Lambert Pharmaceutical Co.—Analysis—A. M. Kidder & Co., Inc., 1 Wall Street, New York 5, N. Y. Also in the same circular are data on **Kawecki Chemical Co. and Torrington Co.**

Western Light & Telephone Company, Inc. — Analysis — Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

Wilcox Electric Co. — Memorandum—Stern Bros. & Co., 1009 Baltimore Avenue, Kansas City 5, Mo.

Shillinglaw, Bolger Branch

WAUKEGAN, Ill. — Shillinglaw, Bolger & Co. has opened a branch office at 307 Washington St. under the direction of Benjamin Weiner.

British Bank Rate Outlook

By Paul Einzig

Reporter from England doubts that the London Bank rate will be increased so long as the gold outflow remains moderate and the cost of living stays stable. He notes the resurgent effect this expectation has had on the London Stock Exchange and the foreign exchange market. Criticism is directed, however, at West Germany's monetary authorities for not selling forward Deutschmarks to offset the incoming flow of gold which, it is averred, should be going to the United States.

LONDON, England — Both the London Stock Exchange and the foreign exchange market appear to have got over the Bank Rate scare that dominated sentiments earlier this month. The *Financial Times* index of industrial equities has surpassed its previous records, even though the rise is now much more selective than it was before. It is no longer possible to "pin-point the winners" as it was until recently when it took an overdose of bad luck for anyone to choose an equity which remained aloof from the rising tide. The recent rise in the index represents an average between the very spectacular increases of some prices and the almost complete absence of increases in many other prices. However, that the trend is still upward is due to the fact that the markets no longer expect an immediate increase in the Bank rate.

Likewise, sterling became somewhat firmer and for a day or two it rose once more to a premium against the dollar, only to slide back to a discount. Its weakness is not so pronounced, however, as to call for a higher Bank rate. Although the authorities must be losing gold by supporting sterling in the market, the extent of the losses is not believed to be very large. Nor is there undue concern about the widening of the gap between imports and exports in November at any rate as far as the immediate future is concerned. It is felt that, for the present at any rate, Britain can afford to lose some gold without having to take steps to check the outflow.

In any case the view is held that the recent reversal of the flow of gold to Britain must be viewed in connection with the American gold position. If Britain's loss should be America's gain then enlightened opinion in London would almost welcome the outflow—at any rate so long as it remains moderate. The importance of checking the gold drain from the United States is widely realized over here, especially in official circles which would not in existing circumstances think of trying to check a westward flow of gold either by raising the Bank rate or by resorting to the device of supporting forward sterling in order to discourage the withdrawal of funds through interest arbitrage.

Selling Forward Deutschmarks

Unfortunately up to the time of writing Britain's loss of gold seems to have been the gain, not of the United States but of Western Germany. The higher German Bank rate appears to have drawn considerable amounts of gold from various quarters, judging by the increase in the German gold reserve. There is some criticism in London of the German Bank rate policy which, intentionally or otherwise, attracts gold to increase a gold reserve which is already too large in relation to Germany's international requirements. It is of course argued that this is merely an incidental effect of the Bank rate increase which was decided upon primarily in order to resist domestic inflation. But surely the German monetary authorities would be well in a position to neutralize such effect of the Bank rate, if it is unintentional, by selling forward Deutschmarks, thereby making it less profitable for arbitrageurs to transfer funds to Frankfort. Unless this is done the deflationary effect of the higher Bank rate is liable to be offset by the expansionary effect of the gold inflow.

Britain has no intention at present to follow the German example. The London Bank rate is expected to be kept low for some time, in order to avoid interfering with the efforts of the American authorities to check the outflow of gold. There is of course a limit beyond which Britain could not afford to allow the reserve to weaken. But that limit is still at some distance, and no defensive measures are considered necessary for the time being.

What the Bank Rate Depends Upon

Those trying to form an idea about British Bank rate prospects are advised to focus their attention to the British domestic situation rather than on the technical strength of sterling. So long as the index of the cost of living in Britain will continue stable a further decline in the gold reserve is not likely to frighten the British authorities into raising the Bank rate to a level unwarranted by domestic economic conditions. It is only if and when British prices should resume their rise that such a measure would become imminent. Meanwhile the Chancellor of the Exchequer is intensifying his efforts to induce industrial firms to lower their prices. These efforts have not been altogether unsuccessful in recent months, as there have been a number of cuts the effect of which has been to neutralize the continued rise in other prices. Whether this resistance to the resumption of inflation will be successful will depend on the possibility of resisting wage increases.

From this point of view the outlook is none too satisfactory. While resisting excessive wage demands, employers in a number of industries have conceded shorter working hours. It is arguable that this is the smaller evil, because the resulting increases in overtime pay are more flexible than an increase in basic wage rates. While it is inconceivable today that any trade union would ever consent to a cut in wages, a decline in demand for manufacturers can be met by a reduction of overtime. At present, amidst the growing scarcity of labor, however, additional overtime pay is fully as inflationary as an increase in wages.

The Government is hoping against hope that before the next round of wage increases is granted, an obvious decline in prices might induce the unions to abandon or moderate their demands. It seems to be unlikely however that the unions do so in existing circumstances.

Dempsey-Tegeler Adds

(Special to The Financial Chronicle)

CHICAGO, Ill.—Arthur J. Sundstrom, Jr. has been added to the staff of Dempsey-Tegeler & Co., 209 South La Salle Street.

Investment Ass'n Of New York's Annual Dinner

The Investment Association of New York held its annual dinner Dec. 15 at the Waldorf Astoria. Over 590 were present, the largest attendance on record for the group's annual affair.

W. Mayo-Smith

John J. McCloy, Chase Manhattan Bank, the guest of honor, gave an off the record address to the group. Honored guests were Amyas Ames, Kidder, Peabody & Co.; John D. Baker, Jr., Reynolds & Co.; Charles Bergmann, R. W. Pressprich & Co.; Henry C. Brunie, Empire Trust Co.; T. Jerrold Bryce, Clark, Dodge & Co.; William Chappell, First Boston Corporation; Joshua Davis, Blair & Co., Incorporated; Paul Devlin, Blyth & Co., Inc.; Edward Glassmeyer, Blyth & Co., Inc.; George Gregory, Gregory & Sons; Robert C. Johnson, Kidder, Peabody & Co.; Charles E. Kock, Dillon, Read & Co.; James J. Lee, W. E. Hutton & Co.; Edward T. McCormick, American Stock Exchange; Allen J. Nix, Riter & Co.; G. H. Walker, Jr., G. H. Walker & Co.; and Walter W. Wilson, Morgan Stanley & Co.

Members of the Executive Board of the Investment Association are Worthington Mayo-Smith, Blair & Co., Inc., President; John G. Peterkin, Gregory & Sons, Vice-President; David C. Clark, Clark, Dodge & Co., Secretary; James F. Burns III, Blyth & Co., Inc., Treasurer; John E. Friday, Jr., Morgan Stanley & Co.; William J. Ruane, Kidder, Peabody & Co., Vincent C. Banker, R. W. Pressprich & Co.; Arthur B. Treman, Jr., Dillon, Read & Co.; J. Stuart Lovejoy, Reynolds & Co.; and Frederick S. Wonham, G. H. Walker & Co.

NASD District 12 Names to Comm.

Edward H. Ladd 3rd, First Boston Corporation, and Avery Rockefeller, Jr., Dominick & Dominick, have been elected Governors of National Association of Securities Dealers District No. 12, which covers New York, Connecticut and part of New Jersey.

Others named to the district committee were George T. Flynn, Hornblower & Weeks; Herbert A. Goldstone, Wertheim & Co.; Jonas H. Ottens, Salomon Bros. & Hutzler; Arthur C. Turner, New York Hanseatic Corporation, and Alfred J. Ross, Dick & Merle-Smith.

John Kemper Co. To Be NYSE Member Firm

LIMA, Ohio—John A. Kemper & Company, 121 West High Street, members of the Midwest Stock Exchange, on Dec. 23 will become members of the New York Stock Exchange, with the acquisition of a membership by John A. Kemper, Jr., senior partner. Other members of the firm are Willa H. Kemper, general partner, and Luella M. Heath, E. Kathryn Morrison, Thomas W. Meeder, Fern A. Templin, and Ralph U. Leser, limited partners.

Robert M. Reay Joins Milwaukee Company

St. Paul, Minn.—Robert M. Reay, former financial editor of the old St. Paul Daily News, has joined The Milwaukee Co., Endicott Building, as a registered representative.

In addition to his newspaper experience, Mr. Reay was associated for 21 years with the Whirlpool Corp. as commercial sales manager.

Setting Our National Fiscal House in Order

By Hon. Prescott Bush, U. S. Senator from Connecticut*

Well known for his Senate battles against the "easy money" arguments advanced by his colleagues, Senator Bush reviews past session's events with regard to the Administration's "sound" dollar legislation. The Senator reports that when Congress reconvenes the President will renew his request to the legislators to waive the 4¼% interest rate ceiling on long-term government bonds until the debt management problem is brought under control. Further, in quoting George Kennan's recent warning, he states one of our first and greatest tasks must be to set our national fiscal house in order.

We live in an age of anxiety and danger. The world is divided into two hostile camps, each armed with the most terrible weapons of destruction and annihilation.

Prescott Bush

President Eisenhower is now on a global mission of peace. His momentous tour of 11 countries on three continents is a dramatic demonstration of America's genuine desire for a just and enduring peace. Our prayers for his safety and the success of his mission go with him.

But until genuine peace can be achieved — and great difficulties must be overcome to achieve it — the military strength of America and her allies must be maintained and strengthened. The Soviet Union's achievements in rocketry and missiles demonstrate the nature of the miltary threat that confronts us.

We face competition from the Communist bloc in other fields as well. The underdeveloped and uncommitted nations of the world are watching to see which system of government, democracy or communism, can produce the best results for their peoples. The outcome of this struggle will decide whether the United States or the Soviet Union ranks as the world's first power.

Are we, as a people, taking this contest seriously enough? Have we the will to make the sacrifices, impose the self-discipline, and do the hard work that is needed to insure our victory?

I shall discuss these questions later, but first I should like to review some of the events of the past session of the Congress in the battle for a sound, honest dollar. For this battle has a bearing on the larger problem of the Communist challenge to our position in the world. If we lack the will to achieve fiscal responsibility in government, and maintain a stable currency, we shall weaken the credit of the United States upon which depends all our strength, military as well as economic.

The people's stake in the integrity of the dollar is enormous. The current volume of savings in fixed dollar contracts, according to the Treasury Department's latest figures, approaches $800 billion.

Answers Creeping Inflation Thesis

The largest accumulation of savings in that total is more than $500 billion in life insurance policies issued by your industry, held by 112 million people. There are also 22 million accounts in savings banks, worth $34 billion; 25 million share-holdings in savings and loan associations, worth $51 billion; 19 million participants in private pension plans, with assets of $37 billion; 106 million workers covered by the Social Security System, with assets of $23 billion; 37 million thrift accounts in commercial banks' savings departments, worth $65 billion; and 40 million holders of U. S. Savings Bonds, worth $47 billion.

As a member of the Joint Senate-House Economic Committee, I have heard during the past year suggestions by some professional economists that a creeping inflation of, say 2½ to 3% a year, is needed to stimulate economic growth.

With that point of view I completely disagree!

Not only do I believe that reasonable stability of prices provides an essential condition to economic growth, but I cannot regard with complacency the achievement of growth — if it could be so achieved — through the imposition of an insidious, hidden tax upon the thrifty.

An annual 3% inflation would impose a tax of $24 billion a year upon the $800 billion in savings I have listed, to say nothing of its other disruptive effects upon our society.

That kind of taxation by deception, in complete disregard of the principle of ability to pay, is an evil we must shun. Cruel, dishonest, it bears most heavily on those who can least afford it.

Yet because it is hidden, the inflation tax has great appeal to some politicians and to the selfish pressure groups which seek advantage for themselves at the expense of the weaker elements in our society — the Social Security pensioners, teachers, preachers and all who must live on relatively fixed incomes.

Accordingly, I urge continued and even increased efforts to inform the public of the economic facts of life.

This past session of Congress was an unending struggle between inflationists, on the one hand, and believers in a sound dollar for economic growth, new jobs, and prosperity on the other.

Attacks Inflationists

In speaking of inflationists, I should make it clear that I refer to members of the radical wing of the opposition party, and specifically exclude from the term the more moderate and conservative Democrats.

What do I mean by inflationists?

I use the term to describe those who, in times of general prosperity and rising business activity, on the very threshold of a boom, advocate and promote massive government spending even in excess of income.

I use the term to describe those who fought against balancing the budget.

I use the term to describe those who insist upon the government financing the debt by methods which barely fall short of switching on the presses at the Bureau of Engraving and Printing and trucking away the greenbacks.

When the 86th Congress convened last January, the inflationists were riding high. Recession-born victories in the Congressional elections of 1958 had resulted in top-heavy majorities for the opposition party in both House and Senate. The radical Democrats, who control their party on the national level, if not in Congress, proposed spending billions of dollars to cure a recession which already had yielded to recovery.

In the face of these seemingly hopeless odds, the President stood firm in his fight for a sound and honest dollar, for fiscal responsibility in government and a balanced budget for the current fiscal year.

In an outstanding demonstration of leadership, President Eisenhower mobilized public opinion behind him, partly by appeal to the nation and partly by judicious use of his veto power. The Republican minorities in the House and Senate closed ranks in his support. By Spring, the inflationists had been forced to retreat. Instead of recession they had predicted during campaigns in order to win the elections, there were clear signs of general prosperity and an approaching boom. Conservative and moderate Democrats, feeling the public pulse, joined Republicans in resistance to massive government spending.

The outcome was partial victory for believers in a sound dollar. The worst of the extravagant spending schemes were blocked. The budget for the current fiscal year not long ago appeared to be in precarious balance, although now we fear a substantial deficit because of the effects of the steel strike. And, Congress did insist upon more spending than the President recommended, and refused to increase revenues through taxation as much as he had proposed.

The result was an increase in net expenditures for the current fiscal year 1960 of $597 million, and an increase in net expenditures for future years by an additional $11.5 billion.

But, of far more serious consequence was the reckless refusal of Congress to grant President Eisenhower's request that the Treasury be given the authority it needs for sound, non-inflationary management of the $290 billion national debt.

Despite the fact that the President, in a special message, referred to his debt management proposals as the most important issue to come before the Congress, no action was taken to remove the outmoded 4¼% interest ceiling on new issues of long-term marketable Treasury bonds.

Shortly before adjournment, Congress did enact legislation to increase the interest rate ceiling

on U. S. Savings Bonds from 3¼% to 4¼%. Although clearly necessary, action on savings bonds alone was inadequate. The refusal to lift the ceiling on long-term Treasury marketable bonds forces the Treasury to follow inflationary debt management policies which can undo much of the good which we could achieve by a balanced budget and the sound monetary policies of the Federal Reserve Board.

Following adjournment, President Eisenhower said that the refusal of Congress to permit sound, orderly management of the national debt was—and I quote his words—"one of the most serious things that has happened to the United States in my time." And he was right!

Why is it so serious?

Points Up Seriousness of Congressional Inaction

Because upon proper management of the debt, and upon a demonstration by Congress that it stands for fiscal responsibility in our national government, depends the credit of the United States, and that credit is the foundation of our own national security and that of the entire free world.

The President has served notice that when the Congress reconvenes next month he will renew his request that the Treasury be given permission to pay more, if necessary, than 4¼% on long-term marketable bonds until the debt management problem is brought under control. This is the most complex, least understood and most important issue to face the 86th Congress.

It is an issue which readily lends itself to demagoguery. We already have heard plenty of that in the past session. For this reason, I urge the life insurance industry not to relax its efforts to inform the pubilc of the underlying economic facts.

I have alluded to the challenge to America's world leadership made by the Soviet Union, and questioned whether we, as a people, have the will to meet that challenge.

Says We Can't Ignore Kennan's Warning

Recently, I observed some remarks by George Kennan, former Ambassador to Russia during the Truman Administration. He said this:

"If you ask me, as an historian, let us say—whether a country in the state this country is in today, with no highly developed sense of national purpose, with the overwhelming accent of life on personal comfort and amusement, with a dearth of public services and a surfeit of privately sold gadgetry, with a chaotic transportation system, with an educational system where quality has been extensively sacrificed to quantity, and with insufficient social discipline even to keep its major industries functioning without grievous interruptions—if you ask me whether such a country has, over the long run good chances of competing with a purposeful, serious disciplined society such as that of the Soviet Union, I must say that the answer is 'no'."

We cannot ignore this warning. Having recently visited our military outposts in the larger NATO alliance countries and only just returned from an extended tour of our bases in the Far East, I share the deep concern of George Kennan. We face determined, energetic, powerful enemies, and we must achieve a sense of national purpose, a willingness to work and sacrifice to preserve the values we hold precious before it is too late.

In two World Wars, the American people have demonstrated that they can rise to the occasion in time of trial and crisis.

Now we all must understand that although guns are silent and missiles and bombs are not falling, we are engaged in another kind of war in which the price of defeat will be America's decline as a world power and the loss of our individual freedoms.

This is a rich and powerful nation. We can afford to pay whatever it costs to maintain and improve our national defense, to raise the quality of education, and to do whatever else must be done to keep ahead of the Soviet Union.

But we cannot afford waste and extravagance in government any more than we can in private life. Nor can we afford the luxury of long strikes in crucially important national industries—strikes which slow down our rate of economic growth, already lagging behind Russia's.

There must be more self-discipline throughout the fabric of our society.

And one of our first and greatest tasks must be to set our national fiscal house in order.

*An address by Senator Bush before the Life Insurance Association of America, New York City, Dec. 9, 1959.

Alm, Kane Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Frank O. Widbin has been added to the staff of Alm, Kane, Rogers & Co., 39 South La Salle Street.

Kuhn, Loeb & Co. Admits 2 Partners

Kuhn, Loeb & Co., 30 Wall Street, New York City, investment bankers, announced that John M. Leonard and Nathaniel Samuels

John M. Leonard Nathaniel Samuels

will be admitted as general partners of the firm as of Dec. 31, 1959, subject to the approval of the New York Stock Exchange, and that Gilbert W. Kahn, Percy M. Stewart and Robert F. Brown, heretofore general partners, will become limited partners.

The firm stated that Messrs. Kahn, Stewart and Brown, while divesting themselves of participation in day-to-day operations, will continue their interest in the affairs of certain of the firm's clients. Mr. Kahn became a General Partner in 1931; Mr. Stewart and Mr. Brown, general partners since 1941, have been associated with the firm for 53 and 27 years, respectively.

Mr. Leonard, with the firm since 1924, is Office Manager, and Mr. Samuels, who joined the firm in 1955, is Manager of the Foreign Department. He is a Director of Sofina, S. A., an international public itility, investment and engineering company with headquarters in Brussels, Belgium, with which company he was associated prior to joining Kuhn, Loeb & Co., and is also a Director of Transoceanic Development Corporation Ltd.

It was also announced that the New York Stock Exchange membership of the firm will be transferred from Mr. Brown to J. Emerson Thors, a General Partner since 1948, subject to the approval of the New York Stock Exchange.

New Sutro Office

Sutro Bros. & Co., members of the New York Stock Exchange, has opened a new mid-town office at 20 East 46th Street, New York City.

Chemical Bank Names Copeland To Board

Lammot du Pont Copeland has been elected to the board of directors of Chemical Bank New York Trust Company, it has been announced by Harold H. Helm, Chairman. Mr. Copeland is a Director, Vice-President and member of the Executive Committee of E. I. du Pont de Nemours & Company. He is the great grandson of E. I. du Pont, founder of the company.

L. du Pont Copeland

In 1958, the French Government bestowed the Legion d'Honneur with the grade of Officer on Mr. Copeland for his long and great affection and friendship for France.

The State of TRADE and INDUSTRY

Steel Production
Electric Output
Carloadings
Retail Trade
Food Price Index
Auto Production
Business Failures
Commodity Price Index

Encouraging outlook for the year ahead emerges from a pre-analysis of Business 1960 by more than 100 credit and financial leaders in 25 basic and major industries questionaired by Edwin B. Moran, Executive Vice-President of the National Association of Credit Management. The nucleus of the study, summed up in the Monthly Business Letter of the association, were the answers of the organization's officers and directors to 18 specific questions.

Sales volume in 1960 will be greater than this year's, declare 84.53%, and profits also will be higher, most executives agree. However, four-fifths of those participating doubt that dividends will increase.

More than half the executives expect that the prices of their companies' profits will go up, following the trend which has been pronounced in the past year. Far more, however, predict their wage scales will advance, indicating that the companies will hold the line as best they can against passing on to retailers, and consumers the pressures exerted by the largest single factor in rising costs of manufacturers and wholesalers —the soaring payroll.

Practically one-half of the financial leaders say their companies will increase their investment in plant and equipment, and more than that number look for a greater outlay for revision and automation of office procedure and installation of new machines.

Bank Clearings Up 9.4% From 1958 Week

Bank clearings this week will show an increase compared with a year ago. Preliminary figures compiled by the "Chronicle," based upon telegraphic advices from the chief cities of the country, indicate that for the week ended Saturday, Dec. 5, clearings for all cities of the United States for which it is possible to obtain weekly clearings will be 9.4% above those of the corresponding week last year. Our preliminary totals stand at $27,653,210,908 against $25,281,075,758 for the same week in 1958. Our comparative summary for some of the principal money centers for the week follows:

Week End. Dec. 12—	000 omitted 1959	1958	%
New York	$13,738,330	$11,308,371	+21.5
Chicago	1,200,112	1,123,110	+ 6.9
Philadelphia	1,003,000	1,002,000	+ 0.1
Boston	750,984	673,055	+11.6

Complete details of bank clearings throughout the nation appear on page 47 of our Monday, Dec. 14, edition.

Steel Industry Determined to Prevent Price Rise

The steel industry will not sign an inflationary contract with the United Steelworkers unless forced to by the Federal Government, "The Iron Age" says.

Encirclement tactics of the union through settlements with other basic industries will have no effect on the deadlocked steel negotiations, the national metalworking weekly predicts.

First step of Steelworker President David J. McDonald's plan of massive encirclement was agreement with Kaiser Steel Corp. and other small steel producers. It was followed by contracts with copper producers and the can manufacturers. And settlement with the aluminum industry appears imminent.

But if there is an enforced settlement that the steel industry considers inflationary, steel prices may advance, "The Iron Age" says.

The magazine says that it is no secret that many in the steel industry are furious with the terms of the can companies' settlement with the USW, and the immediate increase in can prices.

This is exactly what the steel industry took a 116-day strike to avoid, the magazine says.

At the same time, the national metalworking weekly reports that union efforts to get government intervention in the steel negotiations may not succeed.

Congress is confused on the issues. Many plans have been suggested, but they are not clear-cut and sentiment has not jelled behind any single proposal.

Because 1960 is an election year, it is unlikely that Congress will pass any strong anti-union legislation, the magazine points out. But at the same time, there is no strong block of votes united against the steel industry.

Referring to the steel market, the magazine reports there is no easing in the supply picture. Virtually all products are sold out through the first half of 1960. Steel sheets and tinplate continue to be the most critical.

This is underlined by concern of tinplate and sheet steel users over the possibility of a contract running only to mid-1961, if and when the steel industry and union do sign.

It's pointed out that if such a contract is signed, users of these products will have to start stockpiling against a possible strike before they have recovered from the last one.

But if the 80-day injunction now in effect expires without a settlement, it will precipitate an immediate crisis. Sharp and widespread cutbacks would follow at once. There is no steel supply cushion yet.

Says Steel Strike Will Not Be Resumed

Odds are against a serious work stoppage in steel when the Taft-Hartley injunction expires late in January, "Steel," the metalworking weekly, said.

The magazine predicts that strong public pressures will prevent another long strike.

Although the union already has indicated its intentions of resuming the walkout, the magazine says that either Congressional or Executive action will nip the stoppage promptly.

The public's influence may be reflected in the workers' verdict on the industry's last offer in the National Labor Relations Board election (Jan. 6 to 21). Most labor observers, however, expect the union will gain a majority of ballots cast.

Steel mills last week turned out an all-time high of about 2,690,000 ingot tons. Furnaces were operated at 95% of capacity, 1.4 points above the previous week's revised rate. If steelmakers can avoid trouble with men, machinery, and the weather this week, they may top the record.

Mills are shipping finished steel at 90% of capacity. Demand for flat rolled stock is so great that leading suppliers are altering their product plans, diverting ingots from production of less urgently needed material to the sheet mills. Some consumers of sheets are showing interest in "seconds" and "rejects" if the defects aren't serious enough to jeopardize the quality of their own products.

"Steel's" price composite on steelmaking scrap rose 16 cents a gross ton to $42.67 last week. A year ago, it was $39.17. Mill buying is still limited.

Odds get better and better that before Christmas nonferrous union and management chiefs will reach new labor agreements spelling peace for the next two years, "Steel" reported. Settlements are possible in both aluminum and copper.

Aluminum prices will go up, perhaps even before a new contract is signed, to avoid the inflation tag. There will probably be an early jump of 1 to 1.5 cents a pound, followed by one or two advances in 1960 of around 0.5 cent a pound.

Metalworking production capacity will be increased 4.5% in 1960, a "Steel" surveys shows. It indicates about 14,500 metalworking plants will expand — this represents almost half of U. S. metalworking plants employing more than 20. Of those plants, 14% will build new plants, 37% will build additions, and 71% will buy equipment.

Manufacturers of electrical machinery and equipment will hike their production capacity 8.5% during the coming year.

Steel Output Based on 96.4% of Jan. 1, 1959 Capacity

The American Iron and Steel Institute announced that the operating rate of the steel companies will average *169.9% of steel capacity for the week beginning Dec. 14, equivalent to 2,729,000 tons of ingot and steel castings (based on average weekly production of 1947-49) as compared with an actual rate of *170.1% of capacity and 2,732,000 tons a week ago. [ED. NOTE: The strike in the steel industry which began July 15 was ended via a court injunction on Nov. 7.]

Actual output for the week beginning Dec. 7 was equal to 96.5% of the utilization of the Jan. 1, 1959 annual capacity of 147,633,670 net tons. Estimated percentage for this week's forecast is 96.4%.

A month ago the operating rate (based on 1947-49 weekly production) was *139% and production 2,233,000 tons. A year ago the actual weekly production was placed at 2,011,000 tons, or *125.2%.

*Index of production is based on average weekly production for 1947-49.

1959 Compact Car Output Twice That of 1958

"Ward's Automotive Reports" said on Dec. 11 that compact car production in the U. S. will total 753,000 in entire 1959 for a 13.5% bite of industry output that will more than double the 6.5% share of 1958.

The statistical agency based its forecast on scheduled output of 123,600 of the cars in December, or 26.6% of industry for the month. It said acceptance of the cars has prompted the manufacturers to consistently boost production planning with the likelihood that such output in 1960 will nearly double 1959.

"Ward's" said American Motors Corp. will end 1959 as the No. 1 economy car manufacturer with 401,200 completions, with Studebaker-Packard Corp. No. 2 with 154,700, Ford Falcon No. 3 with 100,400, Chevrolet Corvair No. 4 with 77,700 and Valiant No. 5 with 19,300.

"Ward's" said that in addition to producing 753,000 compact cars in entire 1959, the U. S. auto makers will have imported and sold 160,800 economy models in the year, including 38,000 Opels, 22,500 Vauxhalls, 45,500 British Fords, 5,900 Taunus models, 15,200 Metorpolitans, 33,700 Simcas.

Sparked by the compact cars, and resumption at General Motors, U. S. automobile assembly jumped 54% in week ended Dec. 12 to 85,728 units from 55,377 last week.

"Ward's" said the increase in the week's production was accounted for in most part by the resumption of General Motors car-building after a month-long shutdown because of the steel shortage.

The Detroit Cadillac plant and Chevrolet sites at Flint, Mich., Janesville, Wis., Norwood, O., and Willow Run, Mich., returned to work Dec. 7; they were followed on Dec. 9 by the Buick, Oldsmobile and Pontiac divisions.

Elsewhere in the industry, "Ward's" said, Ford Motor Co. operated on a predominately five-day assembly schedule and maintained Saturday (Dec. 12) operations at its Falcon and Lincoln-Thunderbird plants. Studebaker-Packard worked a five-day week and American Motors continued its six-day policy.

Car Loadings 9.2% Above Corresponding 1958 Week

Loading of revenue freight for the week ended Dec. 5, 1959, totaled 649,639 cars, the Association of American Railroads announced. This was an increase of 54,755 cars or 9.2% above the corresponding week in 1958, and an increase of 31,803 cars or 5.1% above the corresponding week in 1957.

Loadings in the week of Dec. 5 were 75,513 cars or 13.2% above the preceding holiday week.

Intercity Truck Tonnage 4.2% Ahead of 1958 Week

Intercity truck tonnage in the week ended Dec. 5, was 4.2% ahead of that of the corresponding week of 1958, the American Trucking Associations, Inc., announced. Truck tonnage was 17.7% ahead of the previous week of this year; the tonnage increase reflects in part the effect of the

Continued on page 107

Our Reporter on GOVERNMENTS

BY JOHN T. CHIPPENDALE, JR.

The waning days of 1959 show that Government issues are at about the highest yields they have been in nearly 30 years. The demand for certain selected issues continues to be sizable even though the purchases of the 4¾s, the 4⅞s and 5s are not as large as they were not too long ago. They should get greater attention in 1960, however, unless the Treasury offers as high, if not higher yields, in its new money and refunding operations.

The bulk of the business in Government securities, as has been the case all year, is being done in the shorts and the intermediate term obligations. Yields of these securities are very favorable, but there is now growing competition from business itself, which is taking funds from these issues. Under such conditions, which are expected to expand in 1960, there is not likely to be much, if any, ease in money rates and the cost of obtaining long-term capital.

1959 a "Loss" Year

The market for Treasury obligations is operating within a limited range in spite of temporary distortions that occur from time to time because of year-end tax exchanges. It is evident that tax losses which have to be taken before the end of 1959 have pushed into the background arbitrage operations which have the purpose of narrowing yield spreads between selected Government issues. The tax operation for the taking of losses and/or profits is about coming to an end as far as this year is concerned, but it is indicated that the volume of business in Government issues has been enhanced considerable by these late year swaps.

The year 1959, as a whole, was a loss year (as far as Government obligations were concerned) with nearly all commercial banks. So is was and still is natural that full advantage should be taken of existing conditions by these institutions to limit the amount of taxes which would be paid.

As has been the case all year long there is no pattern discernible in these tax exchanges since certain institutions will shorten maturities whereas in other instances there will be an extending of the due date. There is, however, a general awareness among most deposit banks that as long as money rates are going to be high, and there appears to be sufficient evidence that this will be the case for quite a period of time, it is desirable to work in the direction of shortening maturities.

The yields that are available now in short- and intermediate-term Government issues are much better than those which are obtainable in the most distant maturities. And this has been responsible for not a few year-end tax swaps being made from the lower coupon more distant maturities into the higher coupon short- and middle-term issues.

Monetary Policy Effective

The restrictive credit policies of the monetary authorities has done a successful job in holding down the money supply of the country in spite of the heavy demand for credit from a growing and expanding economy. The keeping of the creation of deposits and purchasing power in tow has tended to lessen the inflation fear even though the price-wage spiral has not been brought under full control yet. The high interest rates, which have been among the keynotes of the operations of the powers that be, have also had a salutary effect on both the national and international positions of the dollar. The rate of return on near-term liquid Government obligations has been high enough to keep foreign deposits here and thus slow down the gold outflow. In addition, the existing tight money policy appears to be able to contain the return to a rather full economic bloom which is being predicted for the greater part if not for the whole of 1960.

Therefore, it is believed in some quarters that unless there is a resurgence of the inflation psychology in the coming year the monetary policies of the Federal Reserve System are not likely to be different from what they were in 1959. Other money market specialists hold the belief that a modest easing in money conditions should not be unexpected in 1960.

Larger Treasury Financing in Prospect

The new money raising venture of the Treasury the early part of 1960 continues to get more attention since there are now opinions around that this may be a more sizable operation than was originally looked for. Also, the cash offering may also be combined with the refunding of $2 billion of one-year Treasury bills.

THE MARKET . . . AND YOU

BY WALLACE STREETE

Industrial stocks found some important resistance lurking around the old high posted in August in this week's trading. With the recovery in the Dow Jones index from its 60-point drop to the September low virtually complete, selling came both in regular trading and in secondary offerings.

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There was little chagrin at the lack of success in penetrating the historic peak on the first pass. There is still time for the traditional year-end rally between Christmas and New Year to take over and carry the average through.

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There wasn't too much hope for excessive action by this index, either. The general expectation was that it would forge to 705-710 in the year-end sweep which isn't too far above the 678 peak already on the record. Anything much beyond the 700 mark, it is felt, couldn't be reached until there is a permanent settlement in the steel labor dispute and so far there has been no evidence of any progress in the talks. The deadline doesn't arrive until late in January so for some time to come that situation could be hanging over the market to keep the outlook cautious.

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The steel impasse also put something of a cloud over the usual yearend predictions which, by and large, were well hedged but generally optimistic for the first half of 1960, but left somewhat open on what can be expected for the second half of the year.

Some Doubts

The general economic outlook was affected importantly by the steel strike, the rapid buildup in inventories during the first half of this year, and the sharp trim in them during the third quarter when the steel consumers had to live off their fat brought up the question of whether the boom was grinding to a halt. The consensus was that the boom was not seriously impaired, but the first downturn in gross national product in more than a year and a half was somewhat chilling.

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For the stock market itself, the steel strike caused quite a few potential candidates for dividend largesse to hold off action. And it left a wide spread between bond and stock yields in favor of the former, but so far there has been little competition between stocks and bonds, nor have there been any indications that this unusually wide spread is a threat to stock prices so far.

"The Stock of 1960?"

For individual issues that meet the "stock of 1960" criteria of the various services, the hunting was largely in neglected areas where values are good and the issues so far haven't joined that tight group of skyrockets that have been featuring recent markets consistently.

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For the recent favorites price-earnings ratios of 30, 40 or more times are the rule currently. A quality item still around 16-times the estimated earnings of this year is Cluett, Peabody, which offers an above-average yield and has a bit of romance attached to it in its new development, stretchable paper. This is a joint venture with West Virginia Pulp started last year.

There hasn't been much reported in the way of earnings by this Clupak subsidiary, although a good lineup of licensees is already working with the product, and improvements are coming along apace. The full benefits are not expected for two to three years, but it does give Cluett, Peabody a growth potential far ahead of its Arrow men's furnishings and Sanforized trademark lines, well known but not expected to show any startling growth.

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There was also a bit of attention given to basic situations, such as Stauffer Chemical which derives nearly three-fourths of sales from supplying heavy chemicals to industry, and sulphuric acid which is the most widely used industrial chemical. With Victor Chemical still being integrated after the merger was approved in the fall, Stauffer is in position to show good profit increases both for the full 1959 period and on into next year as well.

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H. L. Green, after all its troubles with the Olen store chain merger, is favored in some quarters as an issue where a bad situation is being cleaned up and a rebound would be logical. The trouble arose over an alleged deficiency in assets of the Olen store group, the total around $6 million. But out of this, Green already received a tax refund of $3.6 million, and will get $1.6 million more in a settlement. With the write-off of nearly $1½ million in fiscal 1959, the chain reported a sharp drop in profit but the worst of such charges would appear to be over.

Neglected Electronics-Growth Situation

The more-or-less neglected item in the office machine section which, on occasion, has participated in the demand for anything connected with electronics, is National Cash Register, which lately has been hovering about in the middle of its 1959 range. National has been busy diversifying after building itself up as the largest cash register manufacturer.

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This drive to broaden the horizon for National Cash Register necessarily called for heavy expenditures for research and development which, in part, probably accounts for the lack of investor interest. Nevertheless, the push has given National a solid position in the office computer field with more than three-fourths of sales generated by products not more than a decade old. Also in its favor is its large participation in the foreign field, the overseas business accounting for two-fifths of total sales. Like others in this glamor field. National's yield is below-average, but the fast-growing field in which it is solidly engaged has been one

of the leading growth categories ever since War II.

Ford's Outstanding Performance

With all the forecasts of good business ahead for the auto makers, Ford was the standout on good action and soared to the best levels seen for the shares since they emerged from family ownership. In fact, in listed trading the shares hadn't until this year reached the $64.50 offering price level of 1956. And they had sold down around $36 at one stage, compared with the current price tag running above $90.

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As the second largest maker of vehicles, Ford has done well since War II in consolidating its position in the industry, and has had a good time of it this year with earnings expected to nearly quadruple over depressed 1958. With its new compact cars apparently being well received, and the drag of the Edsel operation ended, the stock has been both a candidate for a higher dividend. In some circles, Ford stock is regarded as a stock split candidate, the latter possibility being noted officially by several of the financial services.

[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]

Chicago Exchange Firms Ass'n Elects

CHICAGO, Ill. — Gordon Bent, partner of Bacon, Whipple & Co., has been reelected Chairman of the Chicago Association of Stock Exchange Firms, it has been announced. Mr. Bent, in addition to serving his second term as Chairman of the Association, is also a member of the District Committee of the National Association of Securities Dealers.

Gordon Bent

Francis C. Farwell, partner of Farwell, Chapman & Co., was reelected Vice Chairman, and Matthew J. Hickey, III, Vice-President of Hickey & Co., was elected Treasurer.

New members elected to the Board of Governors were Scott Davis, partner of Ralph W. Davis & Co., who is also a member of the Board of Governors of the Midwest Stock Exchange; and William E. Fay, Jr., partner of Smith, Barney & Co. William M. Witter, partner of Dean Witter & Co. was reelected to the Board for a term of three years.

Members of the 1960 Nominating Committee elected were Robert A. Podesta of Cruttenden, Podesta & Co., Chairman; Willard M. Freehling, Freehling, Meyerhoff & Co.; George P. Kent, E. F. Hutton & Co.; Harold G. Laun, F. S. Moseley & Co.; and Louis J. Stirling, Betts, Borland & Co.

NEWS ABOUT BANKS AND BANKERS

Consolidations • New Branches • New Offices, etc. • Revised Capitalizations

The Chase Manhattan Bank, New York, has promoted John A. Hooper to Vice-President, it was announced Dec. 14, by George Champion, President. Mr. Hooper is in the New York and New Jersey division of the United States department, the bank's national territorial organization. Joining the bank in 1948, he was appointed an Assistant Cashier in 1952 and was advanced to Assistant Vice-President in 1955.

Three Assistant Vice-Presidents in the United States department also were named: Thomas D. Hill Jr., Paul S. Marsland and Thomas E. Rivers Jr., formerly Assistant Treasurers.

The bank appointed eleven new Assistant Treasurers. They are John C. Archibald, Gregory L. Brennan, W. Griffin Burnett, Milton F. Gidge, Joseph J. Harkins, Bert C. Madden, Hugh W. Morrison, Raymond V. O'Brien Jr., Norman A. Olansen, Michael A. Santiago and Francis X. Stankard.

John E. Davis was named assistant staff counsel in the bank's legal department.

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The First National City Bank of New York has opened its 83rd overseas branch in Curitiba, Brazil.

During 1959, the bank has opened nine overseas branches in such faraway places as Kuala Lumpur in the Federation of Malaya and Cape Town, South Africa.

The Curitiba branch is the bank's ninth in Brazil. A week ago it opened a branch in Belo Horizonte.

The Curitiba branch will be supervised by Freeman H. Huntington, manager.

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H. P. Davison, Vice-Chairman of the Board of **Morgan Guaranty Trust Co. of New York,** has been elected chairman of that bank's two newly formed subsidiaries in the international field, **Morgan Guaranty International Banking Corp.** and **Morgan Guaranty International Finance Corp.** Dale E. Sharp, the bank's President, has been elected President of the two subsidiaries.

The companies have been formed under Section 25(a) of the Federal Reserve Act. Mr. Davison said of the companies: "Functioning entirely in the foreign field, they will enable Morgan Guaranty to broaden its activities in the world markets by entering fields not now served by the bank nor by its branches in London, Paris and Brussels." Initially each company will have a capital of $2,000,000.

Directors of the companies, in addition to Mr. Davison and Mr. Sharp, are Carter L. Burgess, President of American Machine & Foundry Co.; Carl J. Gilbert, Chairman of The Gillette Co.; and Thomas S. Lamont, Vice-Chairman of the Board of Morgan Guaranty.

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Appointment of Franklyn Edwards as an Assistant Vice-President of **Manufacturers Trust Co., New York,** was announced by Horace C. Flanigan, Chairman of the Board.

Mr. Edwards joined the bank in 1928 when **United Capitol National Bank and Trust Co., New York** merged with Manufacturers Trust. He was appointed an Assistant Treasurer in 1950.

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Mr. Harold H. Helm, Chairman of the Board of Directors of **Chemical Bank, New York Trust Co., New York,** announced on Dec. 11, the election of Lammot Du Pont Copeland to the Board.

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Dana Kelley and Robert C. Patterson, formerly Assistant Vice-Presidents of **Bankers Trust Co., New York,** were named Vice-Presidents Dec. 10, it was announced by William H. Moore, Chairman of the Board.

Coincident with the announcement, Mr. Moore made known the election of Harry C. Dever, formerly an Assistant Treasurer, to an Assistant Vice-President. Appointed Assistant Treasurer was Joseph Cantwell.

Mr. Kelley, of the Banking Department, began his career with Bankers Trust Co. in 1924. He was named an Assistant Treasurer in 1940 and Assistant Vice-President in 1942.

Mr. Patterson, began his career with the bank as an Assistant Vice-President in 1944.

Mr. Dever started with the bank in 1936. He became Assistant Treasurer in 1958.

Mr. Cantwell joined Bankers Trust Co. in 1948.

Mr. Roselle began his career with Bankers Trust Co. in 1941.

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Hugh R. Chace has been appointed an Executive Vice-President of **The Bank of New York,** it was announced Dec. 10 by Albert C. Simmonds, Jr., Chairman.

Mr. Chace joined The Bank of New York in 1932. He was appointed Assistant Treasurer in 1937, Assistant Vice-President in 1943, and a Vice-President in 1949.

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The First National Bank of Jersey City, N. J., announced on Dec. 10, that almost 99% of the 31,000 additional shares of capital stock recently offered by the bank were subscribed for. The details of the sale can be found in the Nov. 26, 1959 issue on page 24.

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The Board of Directors of **Harris Trust and Savings Bank, Chicago, Ill.,** at its regular December meeting voted to recommend to the bank's stockholders an increase in the bank's capital from $20,000,000 to $22,000,000 through the declaration of a 10% stock dividend, it was announced by Kenneth V. Zwiener, President.

If this recommendation is approved by the stockholders at their annual meeting to be held on next January 13, the capital increase will be brought about by the transfer of $2,000,000 from undivided profits to the capital account on January 18. This will bring the bank's combined capital and surplus accounts to $42,000,000.

Stock certificates representing the capital increase would be issued on February 1 covering one aditional share for each ten shares held by stockholders of record January 18. Order forms would also be issued for the purpose of permitting holders to round out or sell fractional shares on or before March 7, 1960.

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The Eaton County Bank, Charlotte, Mich., was absorbed by the **Michigan National Bank, Lansing, Mich.**

FROM WASHINGTON ...Ahead of the News

BY CARLISLE BARGERON

There will be Committee hearings at the forthcoming session of Congress on the question of creating a deputy President, or super Secretary to be above the entire Cabinet; to be, in fact, next to the President.

The President has recommended it and the Hoover Commission in two reports recommended it. Herbert Hoover personally has been an advocate of the idea.

This man would take all of the arduous details of the Presidency from the shoulders of the President and leave the latter free to decide broad policy questions. Both Mr. Hoover and former President Truman have described the Presidency as a man killing job, yet both of them went through it and are now living in ripe old age without showing any ill effects of their experience.

You would think Mr. Eisenhower would have given up the idea of a "deputy President" after his experience with Sherman Adams. Mr. Adams was Assistant President. He was the President to the extent that Mr. Eisenhower's image was almost lost to the public.

There is general agreement that since Mr. Adams left, Mr. Eisenhower has become a changed man. He has taken hold of the Presidency and gone to work. His Gallup Poll rating has rebounded to the extent, as most people would agree, that if there were no two-term limitation on the office, he would be nominated and elected again.

Mr. Adams made the decisions when he was on the job. The President, of course, had to approve them but by the time they reached his desk, they were cut and dried. Naturally he acted on the facts as presented to him by Mr. Adams.

The President was cut off from his Cabinet advisers to a large degree and from the Senators and Congressmen who wanted to see him.

The new deputy President or super Secretary would act with more authority than Mr. Adams had because his job would have been created by law. The members of the Cabinet and the Senators and Congressmen would all have to act through this subordinate. He would be accountable to nobody except the President. He would not have been elected to anything.

When Calvin Coolidge was President he used to take a nap every afternoon. The Presidency was much easier then than now. For one thing, everything was moving along nicely. One of our greatest problems, and about which there was much in the newspapers, was the number of people who are being killed in bathtubs.

Yet when Mr. Coolidge died some four years after leaving office there was a lot of gush about the mankilling nature of the Presidency and how it had killed him. This writer is witness to the fact that Mr. Coolidge never let the job worry him, much less affect his health.

Mr. Eisenhower has not seemed to lack in relaxation since he took office, though unquestionably it has become more of a burden than when Mr. Coolidge was President. Notwithstanding this Mr. Eisenhower seems to get away to play golf whenever he likes. He is on a most exacting trip now and the way he is holding up would seem to indicate that the office has not taken all of his energies by any means.

Mr. Adams was undoubtedly a great help but if he had remained, he would have ruined the Republican Party. It has picked up immeasurably since he left. Morale among party workers is reported as high all over the country. The same could not have been said a year ago.

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Governor Rockefeller's task is getting harder as the campaign goes on. Every time he has a press conference, newspapermen ask him what is the difference between him and Mr. Nixon. There is plenty of difference, all right, but if Mr. Rockefeller attempts to point these differences out, he is likely to become a critic of Mr. Eisenhower.

These differences have already leaked out to the extent that Mr. Eisenhower is taking notice of them. He is understood to be growing increasingly cool to Mr. Rockefeller's aspirations and to be edging more and more over into the Nixon corner. An indication of what may come is that Mr. Eisenhower's golf and bridge playing cronies are in the Nixon camp—with their financial support too.

Keith O'Rourke With Pierson, O'Brien

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Keith O'Rourke has become associated with Piersol, O'Brien & Adams, Inc., 1012 Baltimore Avenue. He was formerly with Soden Investment Company as Kansas representative.

In Securities Business

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Cline & Hardesty, Inc., 9639 East Colfax Ave., is engaging in a securities business. Officers are Ralph T. Cline President, and Douglas F. Cline, Secretary-Treasurer.

Form Alexander Inv.

(Special to THE FINANCIAL CHRONICLE)

COLORADO SPRINGS, Colo. — Alexander F. Guidotti is engaging in a securities business from offices at 2304 McArthur under the firm name of Alexander Investment Plans.

With Columbine Secs.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Wilton Loveridge is now with Columbine Securities Corp., Denver U. S. National Center.

Columbine Adds

(Special to THE FINANCIAL CHRONICLE)

COLORADO SPRINGS, Colo. — Ernest G. Green has been added to the staff of Columbine Securities Corp., 415 North Tejon.

An Economic Agenda For the United States

By Dr. Gabriel Hauge, Chairman, Finance Committee, Manufacturers Trust Company, New York City*

A perceptive, concise economic agenda for the United States is offered by the President's former Special Assistant for Economic Affairs. One, in discussing economic progress, he flays resort to depression-born ideas of the 1930's for the economic problems of the 1960's and points out "per capita real income has risen in step with private capital investment and with the increase in skills acquired by workers"; two, proposes four steps to improve Federal expenditure control; three, attacks demagoguery said to exist in the area of credit policy and predicts interest rates will average higher in future years than in the Depression Decade; four, pleads for more competition in all the economy's sectors; and, five, details several measures to improve our foreign economic position. Lastly, he urges a program to further adult education.

My purpose here is not to sketch the distant horizons of the American economy. As far as I can see, there is no current dearth of this sort of predicting and forecasting and pro-projecting.

Dr. Gabriel Hauge

As a matter of fact, it has become quite a bit of a gain. Rather than discuss destinations, I would like to invite attention to the journey itself, to the navigational charts by which we may negotiate the passage. For, if these projects are to be realized, we, as a people, must face up to certain decisions. That, it seems to me, is plain, unwooly talk. It means a proper balance between the heart and the head. It means perhaps jostling some sacred cows. It means some shifts in some priorities in our national thinking. It means mobilizing majority opinion behind majority interests.

I want to suggest five items on this agenda not because that is all there are but because that is all we could probably try to consider here. They represent five of the most important issues that we must face up to.

Explains Economic Progress

The first is the nature of economic progress. In our kind of a society, the expansion of the nation's wealth can best be gained by the voluntary efforts of its citizens. America cannot be governed into perpetual prosperity. Rather, national economic policy must be based on incentives for individual effort which open the way for every individual to be somebody and to have something.

There is a contrasting view which speaks expansively of growth and compiles shopping lists of America's needs.

It appears, however, that this view is not to have confidence that private enterprise can attain the high growth rates set as goals. Rather, this new cult of forced growth wants a sharply stepped up roll for government through spending programs and super-easy credit, in good times and bad.

Inflation, the driving force in this process, is either to be acquiesced in as the unavoidable cost of seeking higher growth rates or it is to be suppressed by a network of direct controls on prices, wages, materials, production and trade.

As I reflect upon the ideological or intellectual foundation of this view, it seems to me to be related to a certain psychological concept of freedom traceable to the Kafka school.

The concept of freedom that I think we have been brought up on is freedom from arbitrary power; freedom from oppression; freedom from the violation of the rights of the individual.

Now if I scent the wind that is blowing, it seems to me there is another concept of freedom being used as an implicit basis for much of this economic program to which I have referred; that is, the freedom of the absence of obstacles to the realization of one's desires.

Of course, if you take that as your concept of freedom, then, of course, anybody or anything, which will remove these obstacles to the attainment of what I as an individual and you as an individual regard as desires we want realized, will be acceptable.

Apply that to a state, to a nation, and you have the rationale of intervention on a massive scale. This, certainly, has not been the concept that has undergirded the economic development of America. I alert you to it and to your thoughtful reflection upon it for the future.

This approach to the problems of the American economy of the 1960s by resorting to the depression-born ideas of the 1930s is hazardous in the extreme. It inevitably will produce more inflation, discourage savings, and lead to speculative boom conditions that presage the unemployment, business failures and hardship of the ensuing recession.

We have had three recessions in postwar America — that is too many.

The reason we had so many recessions is that we somehow have not realized that the seat of the recession is to be found in the previous speculative boom. That is why we must deal with this problem of compressing the amplitude of fluctuations in trade and commerce.

If you can keep this fluctuation, around the growth curve, within moderate limits, then we should be able to achieve growth at an average of 3% to 4% a year, that is a much more desirable outcome.

It seems to me the difference between recovery policies and growth policies eludes the advocates of this pessimistic view whose experiences are still guided by the events of the 1930s. Easy money and expanding government outlays are identified in their thinking with growth because, under certain circumstances, they have been used for recovery.

The historical record, however, is clear; throughout our economic history, per capita real income has risen in step with private capital investment and with the increase in skills acquired by workers. The record lends little support to those who relate growth to government expenditure. What the situation calls for, if real growth is to be won, is a persistent and strong rise in private savings and the investment of these savings in the tools that modern technology is making available at such an astonishing pace.

This link between investment and growth is fundamental. It is, interestingly enough, the bedrock on which economic policy behind the Iron Curtain is based, as I have just had ample opportunity to observe on my trip to Poland.

Yet, in our country, many of the same people who point to the necessity for the United States to match the high growth rates achieved behind the Iron Curtain paradoxically seem to advocate a policy of growth by expanding consumption through constantly higher wages and increases in personal income tax exemptions rather than one favoring investment.

The second objective or the second item on the agenda I want to bring attention to is the public finances.

Discusses Public Finances

In the fiscal year of 1960, our aggregate tax bill—Federal, state and local—will be close to $130 billion. This is equal to more than 25% of the value of total national output. Such a high level of taxing and spending means that government is claiming more goods and services than ever before in peacetime and interfering in many areas of the private economy. It also means upward pressure on the cost of living as the tax cost of government is passed on in the prices of the things we buy.

To design new spending plans to absorb all of the revenue that a growing economy can generate at present high tax rates, as many people seem to be doing today, is a dubious and dangerous fiscal growth goal for a great nation like the United States of America.

Because of the huge needs for national security, not only for ourselves, but as the leader of the free world coalition, we must be more than ever alert to prevent new spending programs with low national priority from getting into

Continued on page 77

Opportunities for Private Investments in India

By B. K. Nehru, India's Commissioner-General for Economic Affairs*

Alarmed that mistaken impressions of India's attitude toward private capital may be discouraging the enormous opportunities for private investments there, the nation's economic helmsman pointedly sums up what is being done to encourage private capital in-flow. Commissioner Nehru avers foreign capital is encouraged and welcomed, and assured of security, the opportunity for profits and the right of remittance. The difficulty of generating investment capital out of poverty is not minimized, nor of eradicating poverty without courting violence and slavery in order to try and match totalitarian short-run effectiveness. Yet, the basis in all respects is there for self-support except for the shortage of capital, according to Mr. Nehru who proudly reports that 80% of capital expenditures is internally financed. He hopes India will be economically self-sufficient in 10 to 12 years and declares the economy is a mixed one—not Socialistic.

I feel greatly honored at having been given this opportunity of addressing the Investment Bankers Association of America. I feel particularly privileged as I understand that it is rarely that a foreigner has addressed this Association and that this is the first time that an Indian is doing so.

Braj Kumar Nehru

I consider my presence here today as symbolic of the growing interest in the United States in the development of my own country. In the history of American investment banking, India represents a comparatively new chapter. But I am confident that in the years to come it will loom large in your professional interests. Apart from anything else, the very size of India, its enormous potential for growth and the rate at which that potential is being turned into actuality deserve the attention of bankers interested in investment. I shall, therefore, attempt to tell you something about the economic development of my country, its progress and prospects and describe to you the framework of policies within which we are trying to develop.

States Certain Basic Facts

Let me mention at the outset certain basic facts about India which often tend to be forgotten and which hold the key to a proper appreciation of what is happening and is likely to happen there. The first basic fact to remember is that India is not just one country among others, but a vast sub-continent with an area of more than a million square miles and a population of more than 400 million. In terms of territory, India is slightly larger than the whole of Western Europe. In terms of population we equal the whole of Africa and the whole of Latin America put together. Every seventh human being on the surface of this globe is an Indian. These figures give you some idea of the scale on which all Indian operations have to be carried out if they are to have any meaning. A dam here or a power house there, a couple of hospitals or half a dozen schools make no dent on the Indian problem. All our operations must be conducted on a gigantic scale and though every little counts, it is an investment in terms of billions that has any decisive effect. By the same token, even a modest improvement in production and levels of living in India implies an enormous enlargement of the market for goods and services.

The second basic factor to remember is that India is a country living with tradition several thousand years old—tradition of peace and tolerance, of patience and respect for the rights of others. As a consequence, Indian society is essentially a stable society, and one can safely assume that there is no likelihood of violent and revolutionary changes in India or of the adoption of forms of government which the Indian mind abhors; unless economic pressures become too great for even the most patient and peace-loving people. The proviso to my statement is, of course, important for continued physical misery and hardship, reflected in inadequate food, housing, shelter and medical care, can give rise to forces powerful enough to upset even the most solidly based of societies. But it is still important to remember that as far as the basic attitudes and values of the people are concerned, we start with a great advantage in India.

This brings me to another basic point about India, namely that present day India is in many respects the product of its long association with the Western world. British rule in India lasted between 100 and 200 years and the impact of this rule on the Indian character and situation for good and evil has been profound. The advent of British rule in India coincided with the Industrial Revolution. During the 150 years that followed, the discoveries and the achievements of the Industrial Revolution changed the face of many parts of the world. But the economic development of India was only marginally affected for, in accordance with the colonial policies of the times, India was developed only as a source of raw materials and of markets for British goods. Practically all industrial and manufacturing activity was discouraged. The Indian cotton textile industry—now one of the largest in the world—was, for example, established in spite of British opposition. Nevertheless, aided by the stimulus of two world wars, the Indian economy had by 1947 acquired many of the attributes of a modern economy. Private Indian entrepreneurs had created a sizable industrial structure, an extensive banking system and organized money, capital and commodity markets.

Beneficial British Contribution

One beneficent effect of British rule in India was the establishment of a broad-based, modern and efficient civil service. In contrast to other Colonial powers, the British did not exclude Indians from positions of high responsibility and at the time of independence the highest posts of Government were shared almost equally between British and Indian nationals while the second and lower ranks of the civil services were completely Indian. This is one of the factors which distinguishes India today from the other ex-colonial territories for we started our independent existence with a very large number of people who had exercised the highest executive, legislative and judicial functions and were well versed in the arts of government and the ways of the world.

The manner of the departure of the British from India is also exceedingly important in order to assess where Indian society is going. Indian freedom was not offered to us on a platter as a result of a change of heart in the United Kingdom. Nor was it one of the incidental by-products of the second World War. The struggle for Indian independence lasted no less than 62 years and not only did it weld us into a nation but it gave us valuable training in democracy, for the Indian National Congress was a democratic organization whose roots went down into every village. We were in 1947, therefore, strangers neither to democracy nor to self-reliance.

I have taken so much time to sketch the historical perspective for Indian economic development because I feel that it is not often appreciated that there are abiding forces at work in India which make for progress and dynamism in an environment of political and social stability. Our long tradition of tolerance and peace, the evolution of a class of talented and experienced businessmen and administrators, the existence of a strong, educated middle-class and the spirit of mass cooperation and sacrifice in the cause of national uplift and liberation — these are factors — the roots of which go deep in our history; and the vitality they impart to the Indian scene, therefore, is something inherent and not merely the outcome of the accidents of national leadership however important such leadership may be from time to time.

Can't Generate Savings from Poverty

It is not my intention to underestimate in any way the tremendous difficulties that also lie in the way of rapid economic development in India. The very size of the country, constitutes both a problem and an opportunity. To add to this, India is an incredibly poor society. The average per capita income of the Indian even today is $60 per annum. Is it possible for you to imagine what kind of life people live on less than $1.25 per week? The misery that results from such extreme poverty has to be seen and experienced before it can be believed. And from the point of view of the economist seeking to change this situation, its importance lies in the fact that given this kind of income it is next to impossible to generate any savings from it, for a large portion of any increase in production must be devoted to consumption rather than to investment.

Further, the democratic framework within which we operate limits the pace of progress, for the forces of voluntary cooperation cannot always match the effectiveness of totalitarian methods, at least in the short run. And yet, the whole significance of the Indian effort at economic development lies in our attempt to eradicate the inhumanity of poverty without courting the indignity of violence and slavery.

We always realized long before independence that mere political independence would mean little to the common man unless it resulted in rapidly raising the standard of living of the people. We, therefore, devoted ourselves,

Continued on page 68

A Call for More Private International Financing

By Samuel C. Waugh, President, Export-Import Bank of Washington, Washington, D. C.*

Eximbank head challenges private investment bankers to replace or supplement much further the activity of his independent government agency. This to be done by providing private equity financing and even debt capital, in part or in full, in the fields pioneered by the U. S. Government and through the Eximbank. Mr. Waugh recounts ways joint sharing has already taken place in his solicitation of broader joint venture participation; describes the concepts governing the bank's operations, and its conservative management; and sees such joint efforts furthering two-way trade and the cause of the Free World.

Since coming to the Export-Import Bank four years ago, one of my primary duties has been to respond to invitations to tell fellow Americans about this unusual Bank. Upon coming to the Bank in 1955 I quickly discovered the Export-Import Bank — a source of great financial importance to the people of United States —had been hiding its light under a bushel.


Samuel C. Waugh

It may be that we at the Export-Import Bank have ben neglectful in not telling the Investment Bankers Association about Eximbank—as the bank is called—before this. And therefore I express the hope that the factual story about this government institution may be beneficial to everyone.

It came to me as a shock, when I received my current appointment from the President, to learn that even former members of the Cabinet as well as representatives of the Little Cabinet did not know either of the Bank's operations or the fact that it was located in the heart of Washington. This despite the fact that the Export-Import Bank observed its 25th anniversary on Feb. 12, 1959.

This invitation was accepted because of our desire to tell about the operations of an independent agency created and so designated by the Congress, whose capital stock of $1 billion is held for the benefit of the taxpayers by the Treasurer of the United States. Those who pay taxes (and I assume that could be classed as an all - inclusive designation) are therefore stockholders and are entitled to a periodic report.

Then, too, during my six and one-half years in Washington, I have sensed a growing tendency upon the part of businessmen to realize the fallacy of the old cliche, "Business and politics do not mix." Any businessman who is so obtuse as not to comprehend the effect on business of the day-to-day decisions in Washington is as antiquated as a Model T Ford or the now extinct, proverbial dodo bird. There is a crying need in Washington today for more businessmen to interest themselves in government and I certainly include investment bankers in this category.

May I recommend a careful reading of the article in the December issue of "Fortune" entitled "Corporations Make Politics Their Business."

Last April, at their Spring Meeting, the Executive Council of the American Bankers Association approved a statement prepared by their Credit Policy Commission which in essence stated, ". . . the long-run public interest will best be served by the ultimate return of all (government) loan and credit functions to private risk-taking institutions (and here I assume they refer to investment as well as commercial bankers) operating in markets where forces of supply and demand determine how funds are allocated to different sectors of the economy."

We can probably all agree with the basic principles of that dogma. However, is it unreasonable to ask how and why did the government get into the banking business? And even more important, what is being done by those interested who object to the government's activity in this field to eradicate the so-called evil?

Those of us who lived and worked through the period of investment banking in both the domestic and international fields following World War I remember the inadequacy of methods, regulation, and experience, all of which contributed to substantial losses. These losses are remembered today by the old timers who are still directing the investment policies of banks, insurance companies, investment trusts, pension funds, et al.

Export-Import Bank's Guiding Concepts

Two of the most often repeated cliches of the day are in respect to the world growing smaller and the constancy of change. Most certainly the investment banking business as it is conducted today is a far cry from the operations of the Roaring 20's. What I shall try to do is to tell the story of one self-sustained government institution which for 25 years has been guided by three basic concepts.

The statute under which the Export-Import Bank operates today provides:

(1) The objects and purposes of the Bank shall be "to aid in financing and to facilitate exports and imports and the exchange of commodities between the United States . . . and any foreign country or the agencies or nationals thereof."

(2) "It is the policy of the Congress that the Bank in the exercise of its functions should supplement and encourage and not compete with private capital, . . ." and

(3) ". . . that loans . . . in the judgment of the board of directors, offer reasonable assurance of repayment."

I will discuss briefly each of the three basic concepts.

The management of the Bank is delegated to a board of directors of five appointed by the President of the United States by and with the advice and consent of the Senate. Of the five members of the board, not more than three shall belong to one political party.

A 1954 amendment to the Export-Import Bank Act provided for an Advisory Committee of nine members, appointed by the board of directors upon the recommendation of the President of the Bank, who shall be broadly representative of production, commerce, finance, agriculture and labor.

For your information, the members of this Advisory Committee have been designated for two-year terms and have met three times a year for the last four years. I would like to take this opportunity to pay tribute to the business and professional men who have given freely of their time and knowledge to advise the board of directors, officers and staff of the Bank on all major matters of policy. I hope we can look forward in the future to having a member of the Investment Bankers Association as a member of our Advisory Committee.

The Bank, in its 25 years' history, and including the first quarter of fiscal year 1960, has authorized credits in 70 countries totaling more than $10.4 billion. Of this amount $400 million has been taken over by others at their own risk. There have been cancellations for one reason or another of somewhat more than $1 billion. The Bank has disbursed approximately $7 billion.

Over 50% of the loans—more than 3.7 billion—has been repaid. The Bank has outstanding $3.2 billion of loans on which payments are being made on regular schedule. In addition the Bank has commitments of about $1.5 billion, representing for the most part orders placed and under construction.

These figures are our answer to whether or not the Bank has played a role in the financing of our international trade.

Who handles all this money and keeps track of it? Well, the Bank has a total staff of 225, including some 40 economists, engineers, loan officers, lawyers and bankers who have over 600 years cumula-

tive experience in their respective fields. This staff is headed by an Executive Vice-President who acts as the liaison officer between the directors and staff. These men have worked all over the world and make periodic trips to foreign lands to visit the projects and installations to inspect our loans and study prospective credits. This staff has been of immeasurable assistance to American and foreign businessmen over the years.

Conservatively Operated

During its 25 years' history the Bank has had a gross income in excess of $1 billion. Of that amount there has been paid to the United States Treasury nearly half a billion in interest and dividends. Administrative expenses for the 25 years total ¼ of 1% of loans disbursed. Losses charged off have been $2.9 million—a fraction of 1% of gross earnings. The net balance, carried as a reserve, is $550 million.

These figures represent our answer to whether or not the Bank has been operated conservatively and also whether or not the Directors, during the past 25 years, have authorized credits with reasonable expectation of repayment.

Not waiting to overburden this paper with too many figures, let me just add one more series to demonstrate the Bank's desire to cooperate, but not compete, with private capital. During the past fiscal year the Bank authorized credits totaling $885 million. During the same year we obtained $296 million of private participation. This private participation was represented by $29 million in equity capital by private investors, by $77 million in credits extended by United States manufacturers and exporters, and by $190 million in credits extended by commercial banks.

Why We Need the Import-Export Bank

Now, unless I am greatly mistaken, the following thought has been running through many of your minds—why do we need the Export-Import Bank when we have such an important and sizable investment in the International Bank for Reconstruction and Development? We all know Gene Black, who came up through the ranks of the Investment Bankers Association. By the very nature of the operations of the International Bank, the relationship between the Investment Bankers Association and the International Bank for Reconstruction and Development is necessarily and properly very close.

Having served for approximately three years by Presidential appointment as the U. S. Alternate Governor of the International Monetary Fund and the International Bank; having attended the last seven annual meetings as a member of the United States delegation; and having served first as a director of the Export-Import Bank, representing the Secretary of State; and having served for the past four years as an executive officer of the Eximbank, I should be qualified to discuss the operations of the two institutions. This I will try to do, objectively.

Last month, in talking before the National Foreign Trade Convention in New York, I made the following comments:

"I believe in international trade, in international cooperation, and in international organizations wherein the respective member countries carry their proportionate responsibility. I will go further and say that our own country, blessed as it has been, should carry even more than mathematical proportion of any agreement undertaken. However, in making international commitments is it not imperative that the basic concept, i.e., of maintaining a strong U. S. economy, be kept in mind?

"Our own country can neither abdicate the responsibilities to which we have fallen heir nor delegate them exclusively to international bodies. In making this purely personal observation I am thinking of our position in the economic and financial as well as military fields.

"During the last four years financial crises have arisen in countries in Europe, Asia and Latin America. These crises have in every instance involved the movement of international trade to which the Export-Import Bank has been traditionally dedicated during its 25 years' history. In my opinion my predecessors as well as my present associates can take a degree of pride in the manner in which financial assistance has been granted and quid pro quos have been accorded in these emergency cases."

Contrasts IBRD and Export-Import Bank

In making these statements I am not in any way, shape or form trying to minimize the importance of the International Bank for Reconstruction or its operations, which are so well and favorably known. Rather, I am trying to emphasize that in the highly competitive field of international trade in which we are now involved, it behooves our government to maintain a sound financial institution to support United States business and one that can and will cooperate with private capital in the international trade field.

The Export-Import Bank loans in dollars and collects in dollars, and limits its loans to purchases made within our own country. Our Bank makes many loans in the private sector as well as to governments and government entities. We encourage the export of the time-honored precepts of private enterprise, individual initiative, and the so-called American know-how. The Bank is authorized to extend credits both with and without government guaranties.

The International Bank for Reconstruction and Development, by its very nature, is an international institution and properly requires both international bidding and government guaranties on each loan. This requirement is mandatory, even though the financing is in the private sector.

Following World War II and during the reconstruction and development period when the International Bank was organized, and during its earlier years of operation, the United States was the only country which could successfully compete in international bidding. The decline in the percentage of International Bank disbursements spent for United States purchases during the past 10 years is marked, and is concrete evidence of the recovery of business in the heavy industry and capital goods field throughout the world. It is generally conceded that this recovery came about as a result of the Marshall Plan, which was financed wholly by the United States.

Let me hasten to add, in order

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So Much Depends Upon Labor-Management Peace

By Hon. James P. Mitchell,* *Secretary of Labor*

In laying down four objectives to govern and guide American labor-management relations, Mr. Mitchell sees no way of our staying in the world markets unless we achieve industrial peace as the first step in being able to keep prices competitive. He criticizes labor and management for not meeting their responsibilities for efficiency, for real growth and for competitive position as well. Warning there is a third chair, the public's, at every bargaining table, the Labor Secretary says the time has come when we must develop a new form of communications and he indicates what should and should not be done to improve contract settlements in line with the posited objectives.

Briefly here are some of the objectives I feel must govern and guide American labor-management relations in the difficult, but promising, years ahead.

James P. Mitchell

Those objectives, as I see them, are these:

To improve the efficient operation of our economy;

To generate a rising standard of living based upon real earnings and incomes;

To maintain a competitive position in world markets;

And to develop new forms and means of communication upon which to base lasting industrial peace.

These objectives resolve themselves into a general need — to maintain a rate of economic growth commensurate with the needs of our people and our responsibilities in the free world.

It is my hope also to explore as well some of the attitudes of labor management that help them or hinder them in reaching those objectives.

But such objectives can be understood only within the context of a developing world economic and social order that is, in itself, capable of forcing radical domestic changes within every nation.

We have too long regarded the institutions of labor and management as domestic responses to economic change, exclusive to the nations of the West. History has quickly outmoded that view. Our labor and management structures are now a part of the most crucial social and economic revolution in man's history, one that encompasses hundreds of millions of people in a broad arc across much of the world where civilization has stagnated.

Pitfalls to Avoid

Our preoccupation with our own forward thrust has narrowed our vision so that now we find with surprise that the same ratio of four families in every five compelled to work the land for existence that maintained at the beginning of urban settlement 10,000 years ago, still prevails for two-thirds of the world's people.

We realize that the western nations alone have broken the grip of want and poverty.

With 6% of the world's people, for example, the United States enjoys 47% of the world's real income.

Our per capita income is something over $1,500. In most of Asia, most of Africa, and much of Latin America, per capita income is under $300.

The gap is widening.

In the last eight years, while the poor standard of living in many of the "under-developed" lands was holding steady under mounting population pressure, that of both Europe and the United States was rising.

The United Nations has estimated that the percentage of the world's people that are malnourished has risen since the war from 72% to 75%.

Three out of four of the members of the human family are underfed.

Yet these people know, for the first time, that they can aspire to a better status and gain it.

They have watched the growth of Russia, and they have long been familiar with the education and the ease of the opulent white man.

They know, in short, that they can be a "have" nation.

This is one of the most powerful aspirations in history. Societies the world over are responding to it with a fervency that is toppling old traditions, breaking through customs, and requiring of all the nations a decision.

It is against this background, and within this context, that the objectives of labor and management in the United States must stand and be measured.

An Efficient Economy

I listed, as the first objective, the efficient operation of our economy. The United States possesses, without equal, the most efficient economy on earth.

In the last 50 years, the gross national product per capita has tripled. That is, the amount of goods and services for every man, woman and child in the nation has tripled.

This growth was accomplished without adding a larger and larger proportion of the population to the labor force, and without increasing hours. In fact, we have reduced hours as well as reducing the proportionate number of people in production.

This is a classic example of increased productivity.

This trend is continuing; productivity is increasing—but is it increasing fast enough to keep pace with a population growth and a demanding but necessary defense posture?

Certainly many leaders of management and labor are asking themselves this question.

It is indicative to me that in those industries in which the bargaining table has tended to become a battleground, this issue of productivity and efficiency is a common one.

No government official and no economist can set a productivity rate, or an efficiency rate, for individual industries — except, I imagine, in Russia—but the attitudes of some of the parties who negotiate the issues are certainly open to comment.

The objective of efficient operation of the economy will not be met by a management attitude so unskillful that it attempts to change in a stroke, by the bang of a single gavel, working habits built up over many years, through many bargaining sessions. To assume this attitude is to believe that changing words on a piece of paper is a substitute for good management; many of the practices that the words seek to change are the habits of human lives, to be approached thoughtfully, carefully, and with full respect to the man who possesses them.

Nor will the objective of efficient operation of the economy be met by a labor attitude that sees in a *status quo* the answer to every challenge of change. Certainly there are wasteful and archaic practices in existence today that cannot be defended by any line of logic, and there must be alternatives for them and the people they involve. And I submit that in the world I have described the *status quo* at any price is too large a price.

Generating Real Growth

The second objective is to generate a rising standard of living based upon real earnings and incomes.

Our productivity has tripled the number of goods and services for our people—but can we afford to enjoy them?

On the record we can; there has been an increase not only in money earnings but in real earnings as well. Real wages have risen faster than prices.

But here again we must ask: can we continue as we have?

And here again we must seek a balance.

One of the grave effects of an inflationary economy is that it erodes the concept of the real wage. Inflationary growth is patently meaningless growth; an inflationary wage is clearly a meaningless advantage. Yet in an atmosphere of inflation there is apt to be a demand for increased wages, real or not, and for increased prices, whatever the effect.

Thus, more and more for everybody may mean less for all.

Yet it seems to become more and more difficult for labor and management to exercise restraint in this area. Managements are competing for money in a market that makes judgments on dividends. And labor is committed to a policy of seeking more and more.

But both of them nave been able to meet these objectives thus far—but too often the consumer is the one who has paid.

And I have the feeling that the public is going to insist that its own interest be added to the others, and that a chair be set for the public at the nation's bargaining tables.

It would be to the advantage of both labor and management to recognize that.

The need for economic growth with a stable price level has a bearing upon the next major objective, maintaining a competitive position in world markets.

Competing in World Markets

At the end of the war, the markets of the world were almost exclusively ours. The factories and plants of our competitors lay in rubble and ruin. Now the smoke is pouring from the stacks again and we find ourselves in a tough competition.

Historically, other industrial nations have been our best customers because their high standards supported the purchasing power with which to buy. But there will be a world full of new customers in a few years, and to lose the existing markets is to lose the new ones as well.

I can see no way of staying in the world markets unless we are able to keep prices competitive.

In the long run, I am convinced that rising standards in other nations will lessen the competitive advantage that a sub-standard wage now offers.

It is to our national interest to promote within other countries an increasing ability to buy our products, at the same time making this nation an attractive place to shop by offering competitive prices.

Now none of these things is possible without stability in the producing segment of the economy, without industrial peace in America.

The record, obscured by the steel dispute, appears to be a good one. Since 1953 through October of 1959—a period including the steel strike, man-days of idleness resulting from work stoppages have constituted only .29% of all working time. This would indicate a general tranquillity in industrial relations, broken only occasionally by stoppages such as that in steel. And this year there have been, in addition to the steel dispute around which the headlines cluster, a number of notable set-

tlements in important industries without strikes.

I say the record **appears** to be a good one, for this reason:

How many of those settlements were made because neither labor nor management was willing to face up to the demands of change I have indicated thus far?

What price are we willing to pay for industrial peace?

It may be, and I doubt if any man can say at the present, that settlements based upon a postponement rather than an acceptance of responsibility may prove more costly to our society than a strike.

The objective of maintaining industrial peace cannot, in short, be met unless labor and management meet their responsibilities for efficiency, for real growth, and for competitive position as well.

And they can't do that unless they talk to one another in a different way than they have been talking.

Needed—A New Form of Communication

What is needed is a new form of communication, carried on outside the bargaining table, carried on frequently over a period of time, to agree on what they can agree on, and to develop a mutually understandable vocabulary to deal with those problems they cannot agree on.

Let them agree on one idea as a starting point. That idea is this:

Owners and stockholders, union members and employees, the consumers and the public, **all** have a right to a fair share of increasing productivity.

Let them agree that the time has come when a third chair is at every bargaining table, the chair in which the public sits—the chair in which as consumers and taxpayers they sit themselves.

I have indicated many other things they might profitably discuss. If I may return to the first objective, for example, I concluded with a description of attitudes concerning efficiency — a management attitude that demands instant change and a labor attitude that demands no change at all, and, in some cases, vice versa.

Now it is not unreasonable to me to think that if all of the money, and the effort, and the imagination expended in propagandizing against these attitudes was spent instead on ways and means to resolve them, that we would get farther along than we have been getting.

I would be curious to know what proportion of total company expenses in this country, laid out for such useful items as product testing, market analysis, advertising, research and development and production costs, is allotted to understand fully that most basic and purposeful of all activities—the day-to-day relationship between employer and employee.

I would be curious to know what proportion of the total dues money collected by American labor unions is used to foster and promote an understanding of the problems of the industries for which the members work.

But even this would not replace communication between them.

Real earnings and real wages, settlements in the public interest, the acknowledgment that the consumer has a right to a fair share of increased productivity, engineering a price line for competitive markets, keeping the industrial peace—how badly communication is needed on these matters.

Labor and management in this country have got to start talking to each other in a more meaningful way. They have to rid themselves of the old social and political divisions that no longer exist, for our economy is the bedrock of the western world and its strength depends upon the good sense and the good will of the men who operate it.

There are many alternatives to stalemate, but there is no alternative to losing the confidence and the trust of the world that is shaping around us.

It is surprising how immediate long-range interests become.

It is surprising how quickly plenty of time becomes too little time.

In the objectives I have reviewed, our nation has done well —but we must do better, and we must begin doing better now.

It may seem a surrender to drama to speak of want here, but want rules the world, and want will change the world. Whether or not that change will continue for the human family the ideals of individual dignity and freedom that we preserve depends in some measure on how the richest economy in man's history responds to the incentives of purpose and responsibility that destiny has placed before it.

*An address by Mr. Mitchell before the 48th Annual Investment Bankers Association of America Convention, Bal Harbour, Fla., Dec. 2, 1959.

Francis I. du Pont To Admit Partners

Francis I. du Pont & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Hugh C. Wallace and Gough W. Thompson, Jr., to partnership.

Hayden, Stone to Admit Partners

On Jan. 1 Hayden, Stone & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, will admit Charles T. Jawetz, William F. Rowley, Orvis Sowerwine and John M. Wenner to general partnership, and George D. Duff, Alice S. Jawetz, Daniel F. Rice, Ada L. Rice and Lorein M. Rice to limited partnership in the firm. Charles T. Jawetz has been a partner in Daniel Reeves & Co. Mr. Rowley, Mr. Wenner, Daniel F. Rice and Lorein M. Rice were partners in Daniel F. Rice and Company.

Four Kinnard Offices

MINNEAPOLIS, Minn. — John G. Kinnard and Co. has opened branch offices in the Manhattan Building, Fergus Falls, under the direction of E. A. Solem; at 118 South Main St., Le Sueur, under the management of Milton M. Malone; at 103 North Broadway, New Ulm, under the direction of Joseph Keckeisen; and at Sauk Centre under the direction of Donald W. Otto.

Robert Garrett to Admit H. A. Prior

BALTIMORE, Md. — Robert Garrett & Sons, South & Redwood Streets, members of the New York and Philadelphia-Baltimore Stock Exchanges, on Jan. 1 will admit Howard A. Prior to partnership.

Now General Planning

BROOKLYN, N. Y.—The Investment business of Martin P. Rogers, 16 Court St., is being continued under the firm name of General Planning Co.

Report of IBA Insurance Securities Committee

Investment analysts are provided a suggested comprehensive methodological approach to the evaluation of insurance securities as well as an up to date accounting of significant events affecting the industry. Investment specialists' report to IBA points out diverse investment advantages found in life companies and in leading fire and casualty underwriters that are difficult to find elsewhere. The report also analyzes the impact of the new tax on life insurance companies.

Why insurance securities deserve serious investment attention is stressed in Insurance Securities Committee report delivered to the Investment Bankers Association at their annual meeting by its Chairman, Shelby Cullom Davis of the firm bearing his name in New York City. The committee's report makes clear that leading stocks offer varied opportunity to meet almost any investment objective and offers security and stability of cash dividend returns matched by no other industry over the past century and more due to its breadth of diversification.

Shelby Cullom Davis

The text of the Report follows:

I

The Scope of Insurance Securities

The majority of investors tend to consider insurance securities of a size and complexity not warranting serious attention. As a consequence, investment in this field has been preempted, in large measure, by a relatively small group of sophisticated *afficianados!*

The field of insurance investment, however, is quite large and offers a wide choice of different types of securities to meet varying investment requirements. For example, there are about 50 stocks in the Fire and Casualty industry with fairly active markets and perhaps 15 or 20 which can be said to have broad markets. Taking 15 of the largest companies in which general investors might participate, one finds a total net worth (capital and surplus) as of Dec. 31, 1958 of $3.4 billion. These 15 companies constitute considerably more than half the total stock insurance business.

Total assets of all stock fire and casualty companies are exceeded in size by the oil industry. The insurance industry is larger than steel, chemicals, automobiles, paper and other such important investment areas.

The life insurance business—while dominated by mutual companies—also has an active group of stock companies having total assets of the order of $35 billion. Ten leading companies in this field which have institutional investment standing have capital funds of about $2 billion and a market value of over $4 billion.

Combining 15 leading property insurers and 10 leading stock life companies, total capital and surplus is over $5 billion and total market value over $7.5 billion. The foregoing figures are rough but they clearly indicate an industry of real investment consequence.

The scope of the industry in terms of the service it provides is broader than almost any other single business. Every productive enterprise and almost every individual is directly a customer and everyone is indirectly a customer. The size of the business is directly related to overall economic activity and, in fact, grows faster than the economy as a whole because of the continuous proliferation of new coverages. Fire insurance, once the whole business, is now only a small proportion of total volume, and while growing absolutely year by year in pace with the growth of physical assets, is steadily shrinking relative to the total by reason of the much more rapid growth of other lines. In the life business, straight life is very important but also declining as a percentage of total underwriting as new types of policies such as endowments develop.

The leading stocks of the insurance industry offer the investor a varied opportunity through which almost any investment objective can be met. For example, the life companies and some of the leading fire and casualty underwriters offer low immediate returns with promise of greater than average growth in value. On the other hand, current yields of greater amount than available in the average industrial can be had in many of the old line property companies. For the investor who is interested in participating in the common stock market, some insurance companies offer prime investment stocks at a discount. Others offer a major participation in the bond market with its rising interest rates on a highly leveraged basis. In this category, the life companies and some of the casualty companies can be listed. Thus, the scope of the industry offers the intelligent investor in varying combinations, yield, growth, and such participation in the general market—stocks or bonds—as may be desired. In addition the industry offers a security and stability of cash dividend return matched by no other industry over the past century and more. This stability is based on the breadth of diversification of the primary business — insurance, and more importantly, perhaps, in the diversification of the invested assets of the industry which are a cross section of the best investments in all other industries.

II

A Basic Approach Toward the Analysis of Fire-Casualty Insurance Stocks

Although there are approximately 800 stock fire-casualty companies and between 2,500 and 3,000 mutual companies in the nation, market interest in fire-casualty stocks is concentrated in about 70 companies, which write approximately 90% of the total stock company premium volume. Most of these companies have extremely simple capitalizations consisting of common stock only. The companies whose stock is publicly available, and which enjoy fairly wide stock ownership, currently have about 100,000,000 common shares outstanding. One company is listed on the New York Stock Exchange (Continental Insurance (CIS); five are listed on the American Exchange but these and almost all other issues are traded in the over-the-counter market; an extensive list is quoted daily in a large number of newspapers.

The fire-casualty insurance business is a dual endeavor, involving two basic operations:

(1) The assumption (or underwriting) of insurance risks, for which the insurance company receives a specified premium payment, which with all other premiums should prove sufficient over a period of time to pay claims (losses) and operating overhead (expenses) of the company.

(2) Since more than 85% of the assets of the fire-casualty insurance companies are represented by investments of various kinds, the operation of an insurance business necessarily entails the management of a diversified investment portfolio from which the company endeavors to obtain a reasonable rate of income and efficiently preserve the capital value of investments.

In other words, to properly evaluate a fire-casualty insurance company, it is necessary to analyze both the insurance business and the investment management.

Types of Risks Written

Prior to 1955, the fire-casualty industry was, in effect, two separate industries. Fire insurance companies, as such, were permitted by state law to write only the so-called "property" lines, involving losses of tangible wealth, while the casualty insurance companies could write only "liability" coverages, involving generally injury to human beings. There had, however, been some tendency toward consolidation of various of these coverages through the use of insurance company "fleets," whereby a fire (property) insurance company owned a casualty (liability) company, or vice versa, so that while there was a legal separation between the two basic types of coverages, the companies involved had identical managements and similar agency organizations through which to produce business. Nevertheless, it was not until 1955 that all 48 states permitted complete intermingling of the various coverages in one company. Since the law has been in effect most companies have begun to write all types of insurance. To assess the investment status of specific companies, it is necessary to appraise the outlook for the individual class of risk. The most important types of insurance written are as follows:

(1) *Automobile Bodily Injury and Property Damage*—About 26% of total business represents insurance protecting the policyholder against claims for bodily injury and damage to property of others resulting from the ownership or use of automobiles.

(2) *Fire Insurance* — Approximately 15% of all business written by the stock companies is represented by this coverage, which protects against loss caused by fire to buildings and their contents.

(3) *Automobile Physical Damage*—Making up 15% of total volume, this line insures automobiles against loss by fire, theft and collision (involving damage to the vehicle owned by the insured).

(4) *Workmen's Compensation*—This risk indemnifies employers for liability to injured employees as prescribed under state compensation insurance laws and produces about 9% of premium income.

(5) *Accident and Health*—Making up approximately 8% of aggregate premium volume, this coverage provides funds needed for hospital expenses, surgical operations and medical care; it may also include weekly income benefits. This is the one major cover-

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Report of IBA Municipal Securities Committee

Principal developments of interest to municipal securities industry are reviewed in the Municipal Securities Committee report to investment bankers at their 48th annual national meeting. This includes a summary of significant "metropolitan area" problems and their solutional experiences reported by a special subcommittee on the subject headed by Alan K. Browne, Vice-President, Bank of America, San Francisco, Calif. Other events covered are: recommended procedures in printing legal opinions on bonds, and in providing financial information for general obligation and revenue bonds; current tax hearings touching on tax exemption status of municipals, housing bonds, municipals used to finance industrial plant construction, and subsidies for classroom construction; new life insurance income tax act; pass-through of tax exemption; and judicial decisions affecting municipal financing.

Pleased with the obvious prospects that a new record high in municipal sales will be made this year, the Municipal Securities Committee, guided by its helmsman, Walter H. Steel of Drexel & Co., New York City, singles out for the benefit of the IBA members as a whole the status of current activities affecting the municipals industry. The Committee announces its pleased reaction to the sale of its handbook on the "Fundamentals of Municipal Bonds" and makes known the findings of its special subcommittee that has been analyzing overlapping metropolitan area problems and solutions thereto.

Walter H. Steel

The text of the Report follows:

The sales of municipal bonds during the first ten months of 1959 have continued in large volume, aggregating over $6,700,000,000, which indicates that volume for the full year probably will exceed the previous record annual volume of $7,400,000,000 in 1958.

This volume has been handled during a period of relatively high interest rates and with pricing problems for underwriters in fluctuating interest rates. Measured by "The Daily Bond Buyer" 20-Bond Index the market for municipal bonds reached its highest point (with yields at their lowest level) in March at 3.26% and its lowest point (with yields at the highest level) in July and again in September at 3.81%. This marks the lowest level of the market by this Index since 1935.

Some of the principal developments of interest to the municipal securities industry are reviewed in this report.

I

Handbook on "Fundamentals of Municipal Bonds"

A Handbook on "Fundamentals of Municipal Bonds," prepared by the Municipal Director with the assistance of a Handbook Committee, was published in September by the Association. This book was prepared in response to widespread demand for a simple explanation of municipal bonds and the procedures in issuing, marketing, underwriting and investing in such bonds.

The response to the publication of this book is demonstrated by the fact that over 6,000 copies have been sold since the announcement of its publication in the middle of September. In addition to large orders from investment banking firms, hundreds of copies have been purchased by municipal finance officers, insurance companies, bond attorneys, banks, libraries and individuals.

Copies of the book are available at $2.00 per copy from the IBA.

II

Proposed Program of Public Information for Municipal Bonds

At the Spring Meeting of the IBA in May of this year the Municipal Securities Committee approved a proposal for a broad public information program on municipal securities, to be financed by a contribution of five cents per municipal bond collected by the syndicate manager on each issue of $500,000 or more. IBA President Kerr sent to all members a copy of the report and recommendations on the proposed program and a summary of the pros and cons regarding the proposed program. By the time of the Board Meeting at Santa Barbara in September it had become apparent that, while there was strong support for the proposed program, there was also strong opposition to certain aspects of the proposed program and its financing.

At the meeting of the Board of Governors of the IBA in September, IBA President Kerr appointed a special committee, consisting of present or past officers or members of the Board, to attempt to reach an accord on a public information program for municipal securities which would be acceptable to both the proponents and the opponents of the program as originally proposed. It is expected that the report of that special committee may be made during this Convention.

III

Printing Legal Opinions on Bonds

At the last Annual Convention of the Association a resolution was adopted by this Committee and approved by the Board of Governors, recommending that whenever possible and practical, a copy of the complete final legal opinion with the name of the bond attorney be printed on the back of municipal bonds. A copy of that resolution was sent by IBA President Kerr to all IBA members with the request that the recommendations be followed and that local municipal bond attorneys be requested to cooperate in the recommendations.

The recommended procedure has been used in many issues of municipal bonds, and it was approved by the Municipal Finance Officers Association at its meeting in June and by the Municipal Law Section of the American Bar Association at its meeting in August.

A copy of the resolution is attached as Appendix A of this report. We again urge that members in all parts of the country follow the recommended procedure and request their local municipal officials and municipal bond attorneys to cooperate. In this connection, we express particular appreciation to the many bond attorneys through the country who have been cooperating in the recommended procedure. It should be emphasized that (a) the certifying statement should include a statement that the copy is "a true and correct copy of the complete final legal opinion" of the specified bond attorney and (b) the name of the bond attorney should be included at the end of the legal opinion.

IV

Tax Hearings

The House Ways and Means Committee commenced a series of panel discussions, which will continue in December, by persons invited to participate in the discussions to study the opportunities for constructive reform of the Federal income tax system. The areas to be considered will include, among others, practically all exemptions and deductions. The tax immunity for interest on state and municipal bonds is included among the subjects to be considered, but the hearings are not aimed particularly at that subject. In the panel discussion on the tax immunity for state and municipal bonds the participants supporting the exemption were Mr. Cushman McGee (R. W. Pressprich & Co., New York); Mr. Harry Severson (a consulting economist, New York, and Mr. Northcutt Ely (an attorney, Washington, D. C.).

If any legislation is subsequently introduced which would affect the exemption for interest on state and municipal bonds, members will be notified promptly so that they can communicate with their Congressmen regarding any such proposal.

V

Federal Legislation

(a) Proposed Community Facilities Act of 1959.

H. R. 5944, in the proposed Community Facilities Act of 1959, would authorized Federal loans to municipalities, in an aggregate amount not to exceed $1,000,000,000 to finance the construction or improvement of community facilities for water, sewer, public hospitals or nursing homes or non-profit hospitals. The Federal loans, with maturities up to 40 years, could be made at an interest rate determined under a formula in the bill, if they could not be obtained from other sources on equally favorable terms and conditions. The bill would also au-

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Report of IBA Government Securities Committee

Even with a balanced budget in the offing, the bond market can expect to be under considerable pressure bound to result from improving business conditions causing banks and corporations to liquidate their government securities' holdings to accommodate increased financing needs. In pointing this out, the report to the IBA notes that the growth of intermediates, added to the high level of short terms, has not solved the basic problem arising from deficit financing on a nonpermanent basis. Unless the 4¼% interest rate ceiling is removed, the committee recommends the use of advance refunding techniques to overcome the shorter and shorter position of Treasury debt maturities.

A report submitted by Robert B. Blyth, senior Vice-President of the National City Bank, Cleveland, to the Investment Bankers Association at their annual meeting, scored the "potentially inflationary tinder box" found in the composition of our Federal debt. The Government Securities Committee recommended, under existing Congressionally imposed vise-like conditions, that the Treasury refund outstanding debt before the approach of the maturity date gives the investment a short-term character.

Robert B. Blyth

The text of the Report follows:

The Treasury has just completed two calendar years of deficit financing. The deficit in 1958 was the largest peacetime deficit in history only to be followed by an even larger deficit in the year just drawing to a close. The budget deficit in calendar year 1958 was $7.1 billion and indications are that 1959 will produce a deficit of between $7.5 billion and $8 billion.

There was a striking difference in the way these two deficits were financed. The 1958 deficit was financed through the banking system. Bank holdings of Government securities in that year increased by an amount that exceeded the amount of the deficit, and other segments of the economy in the aggregate liquidated Government securities.

In 1959, however, this has not been true. This year will show a substantial reduction in bank holdings of Government securities. This means that non-bank investors have not only financed the entire deficit, but in the year, may well have taken more than $6 billion of Government securities from the banking system.

Most investor segments of the economy outside of the commercial banking system increased their holdings of Government securities in 1959 in response to the higher level of interest rates. The most important sources of funds have been corporations ($4.8 billion est.); miscellaneous investors including foreign account ($5.0 billion est.); and individual investors ($3.4 billion est.). These are at best informed estimates, but the total of $13.2 billion cannot be far off the target. It contrasts with a net divestment by these same investor groups of an estimated $1.3 billion in 1958.

Source of 1960's Problems

Looking ahead into 1960, there is real hope that the problem of deficit financing is at least temporarily behind us, yet this in itself does not provide the basis for undue optimism with regard to the bond market. It is generally believed that corporations will liquidate Government securities on balance in 1960 as inventories expand and as capital spending programs increase. Furthermore, there is reason to expect that banks will continue under pressure to reduce their holdings of Government securities as credit demands from individuals and business increase. As a consequence, while there may be little or no deficit financing in 1960, other investors may be called on to absorb a substantial liquidation of Government securities from banks and corporations. In a measure, the prospective problems of 1960 stem from the fact that the deficits of 1958 and 1959 were not permanently financed.

The financing of the deficit through non-bank sources in 1959 was facilitated in no small measure by the realistic pricing of new issues and particularly by the offerings of Treasury notes due in 1963 and 1964, which attracted widespead, non-bank interest. Over $2.3 billion 5% notes due in August, 1964, were sold for cash and approximately $7.2 billion 4⅞% and 4¾% notes due in 1963 and 1964 were placed in refunding operations. Recently the Treasury has offered the holders of $1.6 billion "F" and "G" bonds that come due in 1960 an exchange privilege into the 4¾% notes due in May, 1964. If this exchange is successful, the Treasury will have issued over $10 billion of these four- and five-year notes. Figures are not yet available as to ownership of these issues, but there is good reason to believe that they will show a relatively high percentage of non-bank ownership.

Adds to Taxpayers' Cost

The Treasury has been forced to confine its marketable debt financing operations to securities with a maturity of less than five years by the increase in market yields to a level above the 4¼% interest rate ceiling on bond financing and by the failure of Congress to eliminate or increase this interest rate ceiling. The Governmental Securities Committee of the Investment Bankers Association desires to go strongly on record as favoring the elimination of the interest rate ceiling. Far from saving the taxpayers money, we believe that the interest rate limitation may actually serve to add to the aggregate interest burden of servicing the public debt, a cost that must finally be borne by the taxpayer.

For one thing, an inevitable result of the interest rate limitation is to force a disproportionate building up of the short-term debt. This in turn causes interest rates on that part of the debt to reach artificially high levels. In addition, this expanding short-term debt, which is readily convertible into cash by the holder is itself a potential inflationary tinder box that may some day be lighted.

The marketable debt due within one year at the end of 1959 will aggregate approximately $79 billion as compared with $75 billion at the end of 1958 and a previous peak of $80 billion at the end of 1953. The one-year debt has been held in check reasonably well this year by the sale of notes due in 1963 and 1964, which was certainly extremely desirable but is after all only buying time to deal with the main problem of debt reconstruction. Thus, while the one-year debt has held fairly level, the one-to-five-year maturities have climbed steadily. These maturities will total over $60 billion at the end of this year and will increase to more than $67 billion in early 1960. This contrasts with a total of $33 billion due within one-to-five years at the end of 1953.

The total marketable debt due within five years will have increased from $113 billion at the end of 1953 to perhaps $147 billion as of mid-February, 1960. Contrariwise, the Treasury has lost position in the long-term market. Marketable debt outstanding due over ten years has declined from $53.2 billion at the end of 1951 to about $32.2 billion at the present time.* To repeat, this country is playing with inflationary tinder if it permits restrictions on public debt management to exist that force the building up of our short-term debt.

The "Magic Fives"

Looking back over the year, perhaps the most important event was the issuance of $2.3 billion 5% notes due in August, 1964. This issue which followed the successful offering of 4¾% notes due May 15, 1964 brought a dramatic response from the public. There actually were more separate individual subscriptions than there had been in any offering of marketable Government securities in recent years including those offered in the war loan drives of World War II.

The dramatic success of this 5% issue in terms of investor response marked at least a temporary turning point in the market. Through the cash offering of the 5s and the successful 4¾% and 4⅞% refunding issues the Treasury found that there was a strong latent demand for Government securities from individuals on these attractive terms. This is not difficult to understand when you contrast the 5% rate with the rate ceiling on savings interest paid by commercial banks throughout the country, and the rates paid by other savings institutions.

These "Magic Fives" restored the market's confidence by proving that the Treasury could do substantial non-bank financing, and they relieved mounting pressures in the short-term market. The short-term market was reaching, in the opinion of market experts, a point of saturation. The sale of the 5s and the issuance of the other notes due in 1963 and 1964 reduced over-all credit pressures within the banking system because they attracted widespread non-bank buying. The supply of one-year paper was substantially decreased, and this relieved the pressures on interest rates in the one-year area. As a consequence, the issuance of the 5s in particular far from adding to the interest cost of carrying the public debt may well have served to reduce aggregate costs by bringing about a lower level of interest rates in subsequent financing operations of the Treasury than otherwise might have prevailed. These financing operations have already aggregated over $25 billion since the 5s were issued. The rise in the one-year debt has been arrested and the savings in interest cost that this has brought about will be multiplied many times over in the Treasury operations over the next few months. Thus it can be proven that flexibility in debt management even within present limits is invaluable to the Treasury and important to the taxpayers. It is in the taxpayers' interest that the Treasury be given maximum flexibility in meeting its debt management problems.

Other Treasury Steps

The Treasury moved courageously to meet the difficult deficit financing problems of the past year. Since the long-term market was not open the Treasury offered short-term notes on terms that attracted long-term investors. In addition, the Treasury raised the interest rate on Savings Bonds to 3¾% to strengthen this important program. Finally the Treasury obtained authority from Congress allowing it, at its discretion to make certain exchanges of Treasury securities tax-free either in connection with advance refundings or exchange offers made at regular maturity dates.

This authority was obtained to

*Debt due after 10 years including the non-marketable investment series "B" bonds which are convertible into marketable securities.

give the Treasury one additional weapon in its debt management operations to enable it to hold onto existing investors in Treasury securities. It already is being used in the offer to holders of outstanding Series "E" Savings Bonds and unmatured "F" and "J" Savings Bonds allowing them to exchange their holdings for current income Series "H" Bonds without immediate tax consequences.

This new authority concerning exchanges may become extremely important in connection with any advance refunding operations that the Treasury undertakes in the future. The persistent piling up of the Treasury debt maturities into a shorter and shorter position has persuaded many thoughtful people that the only hopeful avenue for creating a sensible debt structure lies through the application and development of advance refunding techniques. Through this device, existing investors in Government securities may be offered exchanges for somewhat longer term issues, and, in this way, be encouraged to continue as investors in Governments. As it is, there is a strong tendency today for investors who have purchased longer term Government issues in the past to sell these securities as maturities become shorter. More often than not, these investors have moved into other security markets. This process might be slowed down through advance refundings.

The market should welcome the use of this technique since it appears to be the most constructive way in which the maturity of the debt can be extended without costly and extensive open market activities, which themselves might have a demoralizing effect on the market. To whatever extent the maturity structure of the debt can be modified within the same classes of ownership no dollars are taken away from other capital markets. Some higher interest cost is unquestionably involved in such an operation, but finally the Treasury must face this problem if the nation's public debt is going to be reconstructed on prudent lines in the interest of the future well being of the country.

Respectfully submitted,

GOVERNMENTAL SECURITIES COMMITTEE

Robert B. Blyth, Chairman
The National City Bank of Cleveland, Cleveland, Ohio

Milton S. Bosley
National Bank of Detroit
Detroit, Mich.

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Lockett Shelton
Republic National Bank of Dallas, Dallas, Texas

Rudolf Smutny
R. W. Pressprich & Co.
New York, N. Y.

Girard L. Spencer
Salomon Bros. & Hutzler
New York, N. Y.

Joins L. A. Caunter

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Ferdinand A. Longinie has joined the staff of L. A. Caunter & Co., Park Building.

Joins J. H. Ayers

(Special to THE FINANCIAL CHRONICLE)

COLORADO SPRINGS, Colo. — Lloyd P. Rigby has been added to the staff of J. H. Ayers & Co., 920 East Willamette.

J. W. Tindall Adds

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Chester C. Covey has been added to the staff of J. W. Tindall & Company, Fulton National Bank Building.

70 Years for Halle Stieglitz

Halle & Stieglitz, members of the New York Stock Exchange and other principal securities and commodities exchanges, is currently celebrating the 70th anniversary of its founding. Highlight of the commemorative occasion was a dinner for partners and members of the staff held Dec. 12.

Stanley J. Halle

Stanley J. Halle, Senior Partner, announced at the dinner that Elliott Bliss will be admitted to partnership in the firm as of Jan. 1, 1960. Mr. Bliss is joining Halle & Stieglitz from the investment banking firm of Morgan Stanley & Co. where he has been manager of retail sales.

The firm has operated under the Halle & Stieglitz name since its founding in December, 1889 and is still managed by members of the founders' families. Jacques S. Halle, the late father of the present Senior Partner, and Albert Stieglitz, the late father-in-law of a current limited partner, Louis G. Strasser, were the original founders of the firm.

Halle & Stieglitz acquired membership in the New York Stock Exchange on March 15, 1890 and subsequently the firm was admitted to membership in the New York Cotton Exchange on Sept. 8, 1893; the Chicago Board of Trade Oct. 4, 1909; the American Stock Exchange Jan. 30, 1920; and Commodity Exchange, Inc. Jan. 5, 1934.

The investment house is headquartered at 52 Wall Street and maintains a branch office in Newark, N. J. In addition, it has long-standing business connections and correspondents in London, Geneva, Paris, Zurich, Amsterdam and other European and South American financial centers.

Mr. Bliss has had over 30 years experience in the investment banking field. Prior to joining Morgan Stanley & Co. in 1942, he was associated with Harriman Ripley & Co., Inc.

Wm. Wehrmeister With Henry F. Swift & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — William Wehrmeister, Jr. has become associated with Henry F. Swift & Co., 490 California Street, members of the Pacific Coast Stock Exchange. Mr. Wehrmeister was formerly with Sutro & Co. and Irving Lundborg & Co.

Countrywide Inv. Co.

ENGLEWOOD, N. J. — Countrywide Investment Company has been formed with offices at 214 Engle Street to engage in a securities business. Officers are George Rothman, President; Edwin Stallman, Secretary; and Bettina Stallman, Vice-President and Treasurer.

Report of IBA Railroad Securities Committee

Concluding that 1959 final earnings which started out rather auspiciously will do well to approximate those of last year, railroad investment banking specialists declare that railroad industry's failure to report substantially greater returns has absolutely no relation to its economic ability to earn larger sums. Their appraisal measures the impact of the steel strike, work-rules and other problems; probes courses of action; and cautions that even though the situation exhausts "the patience of most of us" it must be remembered considerable progress was made and needs time to be consolidated, and that the economics of transportation are definitely on the side of the railroads for mass transportation.

In its report to the annual meeting of the Investment Bankers Association, the Railroad Securities Committee under the chairmanship of Alfred J. Ross of Dick & Merle-Smith, New York City, explains why there is considerable hope for the future of the railroad industry. This hope the Committee points out, is based upon the expectation that Congress' regulatory agencies, labor and the public will increasingly become more realistic about the railroad problem once it is properly explained. The bankers blame themselves for not having made, as yet, an educational presentation of the industry's predicament.

Alfred J. Ross

The text of the Report follows:

Another year has passed and the time has arrived once again for your Railroad Securities Committee to render its report, reviewing briefly some of the more important happenings in the railroad industry during the past year, together with pertinent comment relative thereto.

In the first six months of the current year freight traffic continued the rise that began in the Spring of 1958, following recessionary tendencies in late 1957 and the first quarter of 1958. Combined revenues of all Class I railways, representing all but a small part of all the railroads in the country, aggregated $5.025 billion for the period Jan. 1 to June 30, 1959. This sum constituted a gain of $490 million, or 10.8% over the $4.535 billion of revenues reported for the first half of 1958.

Net earnings available for fixed charges (before deducting Federal income taxes) totaled $691 million for the fifirst half of 1959, an increase of $283 million, as contrasted with the $408 million earned in the correponding period of 1958. Coverage of proportionate fixed charges was 3.67 times for the first half of 1959 and 2.16 times for the like period of 1958.

It should be kept in mind that these are average results for all Class I roads combined and that the results of many of the Eastern roads were well below the average. While some of these roads scored substantial gains in net earnings, during the first half, nevertheless the coverage of charges and margin of safety for charges continues relatively unsatisfactory. If these weaker roads are going to be properly strengthened it will require the combined cooperative efforts of the Congress, regulatory agencies, management, labor and the public all working together.

The dangerously low margins of safety for the railroad industry may be illustrated by showing the effect on net earnings of a decline in traffic. For the month of August, 1959, the Class I railways reported aggregate revenues of $774 million, $59 million less than for the same month of 1958, due, of course, primarily to the steel strike. Net Railway Operating Income (before Federal income taxes) was $68 million lower. Although almost all roads contributed to the comparatively poor showing for the month of August, many Eastern roads, more heavily involved in the movement of steel and related traffic, made especially poor showings. Roads such as the Pennsylvania, New York Central, Erie, New Haven, Delaware, Lackawanna & Western, Boston & Maine, etc. did not even earn operating expenses and taxes.

The inroads of inflated costs on railroad operations may be observed from the fact that whereas the Pennsylvania Railroad reported for August, 1959, Operating Revenues of $66,218,000 and a Net Operating Income Deficit of $1,240,000, it earned a Net Operating Income of $7,201,000 out of Operating Revenues of only $32,900,000 in the deep depression month of August, 1933. Corresponding figures for the New York Central Railroad are Operating Revenues of $51,387,000 and Net Operating Deficit of $1,990,000 for August, 1959, and Operating Revenues of $27,423,000 and Net Operating Income of $4,403,000 for August, 1933.

Although from an earnings standpoint 1959 started out rather auspiciously for the railroads, it now appears that final results for the industry this year will do well to approximate those of last year.

Onerous Rail Unions' Demands

Throughout the year much publicity has been given to the railroad labor problem. Under the current three-year term labor contracts, effective Nov. 1, 1956, it was agreed there would be a three-year moratorium on changes in work rules. Coincident with the expiration of the three-year term, the roads have been served by the various labor organizations with demands for increased wages, which incidentally include no change in work rules, amounting to $750 million per annum. The significance of this sum may be gleaned from the fact that it represents about one and one-quarter times the average annual net income of the carriers during the relatively high traffic levels of the postwar period.

It is contended by management that "featherbedding"—"that is, work paid for but not done"—in the railroad industry cost the carriers in excess of $500 million per annum. Management has served the operating brotherhoods with demands for rules changes that are designed to eliminate the featherbedding. In addition, they are demanding a reduction of 15 cents per hour in the hourly rate of wages.

The Association of American Railroads earlier this year prepared a booklet entitled, "Facts about Featherbedding in the Railway Industry," in which it cites a number of examples of "featherbedding." In order that we might all be more familiar with the subject, we have abstracted several of the examples appearing in the booklet and list them below:

Basis of Pay

"A 7-hour run from Minneapolis to Chicago requires three engine crews. This costs the railroad, under the 100-mile basic-day wage rule, four basic days' wages for only 8½ hours of work (including all on-duty time).

"The engineer who pilots a passenger train between New York City and Washington collects 2¼ basic days' pay for a run of about four hours over 225 miles of track. Not only that but after a lay-over of a few hours, he brings the train back to New York the same day, thereby collecting 4½ basic days' pay for a total time spread of about 14 hours but only a little over 8 hours' direct work.

Yard-Road Seniority Roadblocks

"Due to the lack of shop trackage space, a yard crew left two 'bad order' cars on a lead track connecting the yard with the shop tracks. Shop crews from the mechanical department moved the two cars to the shop tracks by pinch bar. The yard crew, a conductor and two brakemen received a day's pay because they were not called to do the job.

"A yardmaster instructed a switchman to set hand brakes to secure the rear end of a train whose crew had been relieved from duty under the Hours of Service Law. He set the brakes—and was rewarded with an extra day's pay for his trouble.

"Shop employees moved an engine from the roundhouse to the pit track — but in making the movement it was necessary to use a few feet of track generally used by yard crews in yard service. A conductor and two brakemen put in a claim for a day's pay for not moving the engine over the few feet of track. They got the money.

"A switch engine foreman spent 10 minutes throwing a switch for

an incoming passenger train. For the 10 minutes he got an extra day's pay at yard rates.

Train Crew and Consist Rules

"A railroad paid a maintenance-of-way engineer and fireman to operate a steam-ditcher on a yard track. An engine-service engineer and fireman were also paid for **not** operating the steam-ditcher. They just sat by and watched. One day the maintenance-of-way fireman didn't report for work, and the engine-service fireman had to leave his soap box and do the actual firing; for this he received an extra day's pay in addition to his pay-for-no-work. Thus he was paid once for not doing the job and once for doing it—all in the same day.

"One fast westbound freight makes a stop every day at Breckenridge, Minnesota, not to pick up cars but to take on a third brakeman. Two brakemen are enough across Minnesota but North Dakota has an 'excess crew' law. Just over the Montana line, the train stops and lets one of the unnecessary brakemen off. Two brakemen are enough across Montana and Idaho but as the train nears the Washington border, a third brakeman again is added since Washington also has an excess crew law."

Earnings to Labor and Capital

It would be presumptuous for us to make any predictions concerning how the railroads will ultimately resolve these labor negotiations. However, if historical facts are any indication of equity, as between labor and capital, it is evident from the following figures that labor's share of the total earnings from direct railroad operations has been increasing at an alarming rate. In the following table there is given the division of combined earnings available for labor and capital:

Period:	Div. of Earnings % to Labor	% to Capital
5 years 1925-1929	69.6	30.4
5 years 1930-1934	76.3	23.7
5 years 1935-1939	76.6	23.4
5 years 1946-1950	84.6	15.4
5 years 1951-1955	83.5	16.5
3 years 1956-1958	85.4	14.6
Year 1958	87.0	13.0

Note—The ratios represent a division of the sum of salaries and wages, health and welfare charges and unemployment taxes (all going to labor) plus net railway operating income (to capital).

The above figures are not intended to reflect on the propriety of labor's share of railroad earnings. They are given to emphasize the unfavorable trend in capital's participation in the earnings which for the year 1958 was considerably less than one-half as large as during the prosperous 1920's and only slightly more than one-half during the depression of the 1930's.

By its nature, the railroad industry is heavily dependent on manpower to produce its transportation service. Thus, a maladjustment between the cost of labor and the prices obtainable for the service is a serious threat to the future of the railroads, and their ability to meet the transportation needs of the nation. Increasing use of labor saving devices is only a partial answer to the problem and has practical limits both in application and in the ability to make the capital investments required. Featherbedding labor practices in particular constitute a needless drain on the financial resources of the railroads, and it is hoped that the negotiation of work agreements now under way will result in the termination of make work rules which are costing the industry in excess of $500,000,000 annually. Thus, we consider it absolutely essential that the current labor negotiations achieve a fair settlement which **must** include the elimination of costly, inefficient and uneconomic labor practices.

Contrasts Insurance Programs

To fortify themselves against dire consequences, most of the carriers are parties to an insurance agreement that is intended to protect them in the event of a strike. Indemnity would be payable for up to 365 days during suspension of operations caused by a strike and cover the average daily fixed expenses, including property taxes, interest charges, pension fund payments and wages of the managerial workers deemed essential for maintaining the property until operations are resumed.

An interesting sidelight in connection with this insurance program is that while the carriers are endeavoring to protect themselves financially in the event of a strike by buying insurance, railroad workers, if they are engaged in a "lawful" strike may, according to President McFarlane of the Northern Pacific, be paid up to $51 weekly for as much as two years—now here is the irony—from a fund to which the railroads alone contribute.

Last Spring legislation was passed providing for greater liberalization of pension and unemployment benefits. It has been estimated the cost of liberalization to the railroads totals $200 million annually.

The average hourly compensation per employee is currently in excess of 2½ times the amount at the beginning of the postwar period, whereas the average freight charge per unit of traffic handled is only 1½ times as great. It should occasion no surprise, therefore, that many roads are having difficulties in adjusting to sharp and sudden declines in traffic. This is especially true in Eastern territory where there has been a lack of traffic growth throughout the service area due to competition from other modes of transportation and economic losses such as anthracite and bituminous coal tonnage which lost out to oil and natural gas.

Management continues to expand its piggy-back operations and this type of traffic, which still cannot be considered an appreciable part of the whole, promises to increase manyfold over the next few years. In the first 10 months of 1959 loaded piggyback flat cars increased approximately 55% over the corresponding period of 1958 while railroad carloadings show only a 3.2% gain and truck tonnage a 10% gain if the territory adversely affected last year by the teamsters strike is eliminated. We estimate that about 425-450,000 loaded piggyback flat cars may be handled this year as contrasted with 276,767 in 1958 and only 168,158 in 1955 the first full year in which statistics were available.

A sound relationship between invested capital and earnings is necessary, if a proper credit base is to be maintained for the purpose of attracting new capital in the proper form to the enterprise. It need hardly be said that the rate of return on property investment in the railroad industry has not been adequate in recent years to attract sufficient capital to take full advantage of technological advancements in the art of transportation.

According to the Association of American Railroads, the rate of return earned by the railroads on their depreciated property investment was only 2.76% for the year 1958. There was a substantial improvement for the year ended June 30, 1959, however, and the ratio rose to 3.41%. The sharp contraction in traffic due to the recent steel strike, however, will probably restrict the rate of return earned on property investment this year to approximately 3.00%.

The failure of the railroad industry to report substantially greater returns on property investment, we believe, has absolutely no relation to its economic ability to earn materially larger sums. It stems directly from unrealistic regulation, subsidies, discriminatory tax policies and failure to consolidate which prevents traffic from moving in the most economical fashion.

Last Spring the Interstate Commerce Commission released its long awaited decision covering its investigation into the passenger train service operations of the railroads. In its conclusions it stated:

"Our responsibilities, however, oblige us to recommend specific courses of action which we feel may help to alleviate the problem. "Specifically we recommend:

"(1) That the 10% Federal excise tax on passenger fares be repealed.

"(2) That Federal tax laws be amended to encourage local and State tax relief, at least to the extent of disregarding State and local provided 'pre-tax net income' for Federal tax purposes.

"(3) That State and local governments take such steps as may be required to effect a greater degree of equity in respect to tax burden on railroad property in relation to taxpayers generally and consistent with the desire of their communities for retention of commuter and other passenger train service.

"(4) That where the railroads are unable to operate a particular local or commuting service at a profit, and where such service is essential to the community or communities served, that steps be taken by state and local authorities, or both, to provide the service paying the carrier the cost plus a reasonable profit.

"(5) That the executive departments of the Federal Government consider the implications of the national transportation policy in connection with the procurement of passenger train services by the Post Office Department, Department of Defense and other agencies of the government.

"(6) That railroad management take steps to eliminate duplicate passenger trains, terminals and other facilities insofar as will be consistent with the law and the public interest.

"(7) That experimentation by the railroads with new types of coaches, sleeping cars, dining and other facilities be continued.

"(8) That railroad management should continue its efforts to improve the attractiveness of railroad passenger service as a means of stimulating more adequate volume of traffic.

"(9) That railroad management make studies of the elasticity of demand (effect of price on volume of traffic) for railroad passenger service so as to provide a basis for adjustment of fares, adjustment of schedules for convenience of prospective passengers, and systematic, continuous, and higher quality advertising and promotion generally designed to improve public acceptance of rail travel. Every possibility of developing additional patronage should be fully and continually explored."

Continuing, the Commission stated: "On this record, we are convinced that inequalities exist which discriminate against rail carriers in their attempt to meet the public need for rail service at

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Report of IBA Railroad Securities Committee

Continued from page 29

equitable charges, and that a comprehensive review and revision of the working rules for railroad employees should be made. We note that Senate Resolution 29, 86th Congress, 1st Session, provides for a comprehensive study of transportation policies in the United States, including "policy considerations for the kind and amount of railroad service necessary to serve the public and provide for the national defense." We believe that it would serve the public interest for this study to incorporate the following areas of inquiry:

"(1) An exploration of labor-management relations, including a review and revision of working rules for labor employees. Consistent with our recommendation to the Congress in March, 1958, we believe that the investigation should not be limited to the narrow issues of the working rules but should cover other phases of labor-management relations.

"(2) An exploration of those public expenditures which operate to the disadvantage of the railroads. We adhere to the principle previously expressed, that this country's several forms of transportation should be treated equitably and that no one form should be preferred.

"We are of the view that the complete elimination of passenger train service would not be a solution in the public interest. Economic railroad passenger service is, and for the foreseeable future will be, an integral part of our national transportation system and essential for the nation's well being and defense. That a solution is neither easy nor immediate does not make it any less necessary. A sense of urgency, therefore, compels us to advocate strongly the adoption of the recommendations outlined herein."

From the standpoint of national defense it has been demonstrated that the railroads are indispensable and are without an equal. Defense officials now have decided that the railroads of the country are once again to play an important part in plans for the nation's defense. It is reported the Pentagon plans to put scores, possibly hundreds of long-range missiles on special railroad trains that are constantly to move about the country so as to avoid problems inherent in a fixed missile base.

Current Studies

Current studies of the national transportation system are being undertaken by the Department of Commerce at the direction of President Eisenhower, and the Senate Committee on Interstate and Foreign Commerce, under Senate Resolution 29. These studies, which should be completed within the next few months, it is hoped, will result in clarification and understanding of the railroad handicaps followed by remediable action at the next session of Congress.

It has long been the contention of the **railroads** that the depreciation rates prescribed by the Interstate Commerce Commission have been onerous, much too low in relation to realities. Efforts were made to correct this situation this year through an introduction of a bill by Congressman Ikard that would permit, for tax purposes, the writing off of depreciable road property in 20 years, in place of about 50 years, and equipment in 15 yaers, or approximately twice as fast as it is now being depreciated at ICC rates of depreciation. There would seem to be an excellent chance of this proposal being passed at the next session of Congress, because it has the support of the Senate Interstate and Foreign Commerce Committee, as well as the blessing of the Interstate Commerce Commission.

Bogged Down Mergers

Major railroad consolidations which promise to contribute fantastic reductions in operating costs seem to have bogged down with the single exception of the Norfolk & Western and Virginian which are scheduled to consummate the merger the first part of December, 1959, having received the approval of the Interstate Commerce Commission. There was no real opposition to this merger, not even from labor.

Last January, directors of New York Central suspended study of a proposed merger with the Pennsylvania Railroad; the Northern Pacific-Great Northern - Burlington merger studies begun in the late spring of 1958, have not, as yet, been completed; neither have the Atlantic Coast Line-Seaboard Air Line studies started over a year ago. The Erie-Delaware Lackawanna & Western merger, which, it has been estimated will effect economies of $13,400,000, has met with a certain amount of opposition from other railroads who claim they would be adversely affected. There has also been some stockholder opposition. We shall be greatly surprised if this merger is abandoned. Only the other day it was announced the Rock Island and Milwaukee would study the feasibility of merger.

Several roads have availed themselves of borrowings under the terms of the Transportation Act of 1958, namely, Boston & Maine, Georgia & Florida, New Haven, and New York Central. Other financing during the year was pretty much restricted to loans on new equipment, the most of which represented securities sold at competitive bidding.

Although the status of the railroads at the moment would seem to exhaust the patience of most of us, it must be remembered considerable progress was made in the preceding year and it takes times to consolidate the gains. Moreover, never lose sight of the fact that the economics of transportation are definitely on the side of the railroads for mass transportation of goods and people ot all parts of our country. If this premise is accepted, it is ourselves we must blame for the present predicament of the industry, because we have not made the proper presentation, as yet, to those who are in a position to and presumably willing to assist. In the judgment of your Committee, the seemingly perennial railroad problem will eventually resolve itself through a process of education and an aggressive determination that the job can and must be done.

Respectfully submitted,

RAILROAD SECURITIES COMMITTEE

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James L. Sheehan
Dick & Merle-Smith
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Eugene Treuhold
L. F. Rothschild & Co.
New York, N. Y.

Bradley Secs.

Bradley Securities Corp. has been formed with offices at 342 Madison Avenue, New York City, to engage in a securities business. Officers are Nathan B. Sommers, President, and D. B. Sommers, Vice-President and Secretary.

Louis Brodsky Opens

QUEENS VILLAGE, N. Y.—Louis Brodsky is engaging in a securities business from offices at 113-43 Francis Lewis Boulevard under the firm name of Louis Brodsky Co.

Joins Merrill Lynch

(Special to The Financial Chronicle)

ZANESVILLE, Ohio—C. Richard Kuhn has become connected with Merrill Lynch, Pierce, Fenner & Smith Incorporated, 44 North Fourth Street.

Muir Inv. Joins Dempsey-Tegeler

SAN ANTONIO, Tex.—The entire staff and personnel of Muir Investment Corp. have joined Dempsey-Tegeler & Co. as that firm's San Antonio office with the changeover effective Dec. 15. Offices are at 101 North St. Mary's Street. Edward D. Muir and John Gatti will be Resident Co-Managers. A. H. Cadwallader, Jr., former Chairman of the Board of Muir Investment Corp. will act as correspondent of Dempsey-Tegeler & Co.

Under supervision of the San Antonio office of Dempsey-Tegeler & Co. will be branch offices in Seguin, McAllen and Harlingen operated by William Stevens, Bryan Moore and Wynn Burton, respectively.

Brown & Co. Formed

NEWTONVILLE, Mass. — George A. Brown is engaging in a securities business from offices at 104 Atwood Avenue, under the firm name of Brown & Co.

Cavanaugh, Tanner Formed

PHOENIX, Ariz. — Cavanaugh, Tanner & Beck, Inc. has been formed with offices at 411 North Central to engage in a securities business. Officers are Edward S. Tanner, President, Frank C. Beck, Secretary-Treasurer, and Robert J. Cavanaugh, Vice-President.

Form Great Eastern Secs.

NEWARK, N. J. — Great Eastern Securities has been formed with offices at 24 Commerce Street to engage in a securities business. Officers are Steven J. Kowitski, President and Treasurer; Carmen De Cato, Secretary; and Neil Cecconi, Vice-President.

Report of IBA Nuclear Energy Committee

Succinct analysis of atomic energy developments—past, present and foreseeable—shows progress and changes made here and abroad. This includes latest revised contractural arrangement with Canadian uranium firms; impact of coal surplus on contemplated European projects; shifts in technological emphasis, such as the crucial importance of thermal breeders; AEC's proposed capital grant increase toward total nuclear power plant costs; and milling conditions.

The text of the Report follows: The Nuclear Industry Committee Report last year indicated that the possibility of fusion or thermonuclear energy being released in a controlled fashion can be dismissed for the next generation at least. During the current year, the controlled thermonuclear research program, sometimes referred to as "taming the reaction of the hydrogen bomb," has been subject to a searching re-evaluation following the Geneva Conference on the Peaceful Uses of Atomic Energy in 1958. It has been decided to delay the construction of larger mechanical devices for conducting research on thermonuclear reactions, and operating costs of the fiscal year 1960 are being held at about the same level as for 1959, i.e., approximately $36 million. With the British we have a joint research program in the field of controlled thermonuclear reactions, permitting an exchange of information free from the barriers of classification. The current stress is on learning about the behavior of hot plasma (superheated, electrically charged gas—the "fourth state of matter"). The Atomic Energy Authority in England, after overly optimistic conclusions in early 1958, has now decided to use a more basic approach to the problem. About the middle of 1959, the Authority abandoned some of the thermonuclear equipment used in research work up to that time.

Dr. Paul F. Genachte

In brief, then, the achievement of a controlled thermonuclear reaction will require many more years of intensive basic study and hard work before ultimate success becomes a reality. In any event, it will not render fission reactors obsolete.

AEC Budget for Fiscal Year 1960—Raw Material

The present Atomic Energy Commission's budget for the fiscal year 1960 calls for expenditures of approximately $2.7 billion, about the same amount expended in 1959. This includes $738 million for raw materials and covers the purchase of uranium oxide (U_3O_8) from our domestic mills, as well as from Canada and South Africa. The known uranium ore reserves in the United States amount to 88.9 million tons with a content of 250,000 tons of uranium oxide. The proven reserves in Canada amount to 377 million tons of ore with 380,000 tons of uranium oxide. The South African uranium-bearing gold reefs hold 1.1 billion tons of ore containing 370,000 tons of uranium oxide.

With a yearly production level of about 15,000 tons of uranium oxide per year in Canada and 6,000 tons in South Africa, the ratio between reserves and planned production in those countries is indeed quite high. Therefore, exploration work in those nations may proceed at a much slower pace from now on. On the other hand, in the United States the milling capacity indicates an output of close to 20,000 tons per year and the ratio between reserves and planned production in this country is only about 12. It is evident that not too many years may elapse before an active uranium exploration program is resumed.

Regarding Canada, the bulk of Canadian output is delivered to the United States and the USAEC has options for extending their contracts through 1966 at $8 per pound of uranium oxide. Most of the Canadian contracts expire on March 31, 1962 with a few running to March 31, 1963. There is no commitment as yet to exercise these options which expire early in 1961, and the situation is not apt to become clarified until the latter part of 1960. Much concern is manifested in Canada as to what the United States attitude will be.

The South African milling contracts were signed on a 10-year basis with some expiring in 1964 and the others in '65. Because of the low grade of ore and the large capital cost and operating expenses of the mills, a 10-year basis was required to avoid an excessive amortization charge per pound of uranium oxide. It must not be forgotten that these contacts with South Africa were entered into at a time when that country was the only major source of supply.

The total Free World output, including the Belgian Congo, Portugal, etc. will soon be almost 45,000 tons of uranium oxide per year. In the United States, most mill contracts have been extended by the AEC until Dec. 31, 1966. The purchase price will be $8 per pound of U_3O_8 after the expiration of the present contracts, which means a reduction for most mills and an increase for a few, amortization excluded.

The Need for Uranium

The peaceful applications of atomic energy will not require anything like 45,000 tons of uranium oxide per year until probably 1970. Definitely, there is going to be a temporary gap between production and demand and it does make sense not to increase the milling capacity beyond what is now in operation. On the other hand, when the present contracts expire, it would be completely foolhardy for any country of the Free World to permit the present mills to go out of existence. Too much money and effort have gone into the program. It would, in fact, be inconceivable to allow some of those mills to deteriorate or become impaired only to have to recondition them later with a probable expanded capacity. As we have indicated, the first country to be affected by these circumstances is Canada. In this respect, some Canadian uranium milling companies received unfavorable publicity in 1959 because they ran into financial difficulties. These embarrassing situations actually had nothing to do with the actual operations or the contracts per se, but resulted mainly from delays of as much as one year in starting milling operations. The effect of these delays, combined with the contractual limitations in monthly deliveries of uranium oxide, made it impossible for certain companies to generate enough cash to meet sinking fund obligations on some of their bonds or debentures. It became necessary in various instances to convene bondholders' meetings to postpone some of the maturity dates. All of these companies should now be able to meet their financial obligations over the period of the contracts.

In last year's report, our Committee indicated that the total installed nuclear capacity in the Free World would probably be 20 million kilowatts in 10 years. This still looks today like a plausible goal. Even this sizable amount of nuclear power will be small in comparison with the total installed capacity in electrical plants in the Free World of close to 500 million kilowatts. It is interesting to ascertain what the uranium requirements may be for such a program.

Some figures are still classified where they pertain to the inventory and fuel burnup in certain reactor prototypes. The agreement with the European Atomic Energy Community — referred to as "Euratom" — however, which is unclassified and in the public domain, calls for our making available 30,000 kilograms of uranium-235 to cover the inventory needs (9,000 kilograms) and the fuel burnup (21,000 kgs.) over a 20-year period. These

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Report of IBA Federal Taxation Committee

IBA's taxation experts urge: reduction in capital gains tax with maximum rate at 12.5%, raising the loss limitation to $5,000, allowing full reinvestment treatment as now accorded to home owners, and diminishing the "locking-in" effect of the tax to a reasonable relationship to the value of the assets sold—about 4%. They also urge reducing the maximum personal income tax rate to 50% and increasing tax credit on dividends to 20%. Finally, the committee disapproves of forcible withholding of taxes on interest and dividends. It suggests, instead, using the cooperative approach to the Treasury's effort to reduce under-reporting.


Walter Maynard

Dedicated to the proposition that reduced capital gains tax would increase Treasury revenues and stimulate the economy as a whole, Walter Maynard, a partner in Shearson, Hammill & Co., Chairman of the Federal Taxation Committee presented the Committee's recommendations on tax matters. The report particularly kept in mind the current hearings being held by the House Ways and Means Committee in Washington, D. C., and the need to make these views known.

The text of the Report follows:

As this report is being written, hearings are in progress before the House Ways and Means Committee which its Chairman hopes will lead to a broad revision of the Internal Revenue Code. The objective of revision is a broadening of the tax base which will permit a reduction in income tax rates without sacrificing revenues required for responsible financing of government.

The hearings on the capital gains tax—the sector of the tax laws in which our Association has the greatest interest — will take place on Dec. 4. Papers that have been submitted in advance of the hearings by the witnesses give some idea of the scope of many of the proposals for reform. For example, a number of witnesses emphasize the point that since capital gains tax liability may now be entirely avoided by holding securities until death, the "locking-in" effect of this situation would be mitigated by providing that the compulsory transfer or "constructive realization" occasioned by death should first be taxed at capital gains rates before estate taxes are applied. This, incidentally, is a provision long sought by the AFL-CIO. The practical effect of this suggestion, it would seem, would not be great except in the case of persons of advanced age or in a dubious state of health. The ordinary investor of average age and health holding property in which large gains exist is simply unwilling to face the loss of principal and income entailed by incurring capital gains tax liability. "Constructive realization" would conceivably, however, be a logical concomitant of our own "full reinvestment proposal."

Other witnesses are expected to urge narrowing of the definition of property to which capital gains treatment may be accorded — the tendency in recent years has been for Congress to widen the definition so as to include, for example, inventions, standing timber and mink. It would seem that narrowing the definition of property subject to capital gains tax treatment would be helpful in obtaining reform in the area of true capital assets.

Proposals for averaging of capital gains over a period of years, and for increasing the deductibility of losses, seem to have considerable support. Also, proposals for a sliding scale of rates in accordance with the length of time that assets have been held (similar to provisions existing in the 30's) are advanced.

A number of witnesses advocate increase in the rate of capital gains tax. However, an important and respected witness, Dan Throop, Smith Professor of Finance at the Harvard Business School and formerly Assistant to Secretary of the Treasury from 1953 to 1955, has this to say: "Any appreciably higher rate than the present one would so reduce the potential net increment from successful investment in growth situations as to seriously impair the country's economic expansion. There is probably no single change in the tax law which would do as much damage as an appreciabe increase in the tax on true long-term capital gains. An increase would do incalculable harm."

IBA's Proposals for Reform

It would seem that the position of this Association with respect to reform of the capital gains tax is a sound one. This position, generally speaking, is that any lowering in the rate of the tax would produce more revenues for the Treasury and would accelerate economic growth by creating a new supply of venturesome capital.

Our proposals for relief which would, as stated above, not only increase revenues from the capital gains tax, but at the same time would also tend to stabilize stock market fluctuations, are:

(a) *Lower Rates* — We believe that the maximum effective rate of the capital gains tax should be reduced to not more than 12½% through a decrease in the inclusion from 50% to 25%, which would spread the benefits of the lower rate to taxpayers in all tax brackets.

(b) *Loss Provision Should Be Liberalized.*—At present only $1,000 per year of capital losses may be deducted from ordinary income. We feel that the loss limitation should be raised to at least $5,000. We would welcome provisions leading to averaging of capital gains over a period of years, which would be especially helpful to lower bracket taxpayers.

(c) *Full Reinvestment Treatment* — Under present law home owners can sell their homes and buy another of equal or greater value without incurring capital gains tax liability. The purpose of this provision in the law was to recognize that inflation has made a large part of all capital gains illusory. It would seem only fair that the treatment accorded to home owners should be extended to owners of other types of property.

(d) *Capital Levy Limitation*—When extremely large capital gains have accrued, especially over a long period of time, the "locking-in" effect of the tax is nearly completely effective. A practical means of greatly diminishing this "locking-in" effect, and at the same time increasing Treasury revenue, would be to limit the impact of the capital gains tax to a reasonable relationship to the value of the assets sold, say 4% —roughly equal to a year's income. Such a limitation would make available in our economy a great deal of potentially venturesome equity capital. It would greatly increase the Treasury's direct revenue from the capital gains tax, and, through stimulation of the economy, increase revenue from all other taxes. We believe that this is a simple, logical and effective proposal which we should continue to urge with all the means at our disposal.

Income Tax Reform

With respect to income tax reform, the so-called Baker-Herlong Bill has gained increased adherents in the past year. This is a bill providing that as the country's growth produces increased Treasury revenues, these revenues be used to reduce rates in accordance with a five-year schedule until a maximum rate of 40% in the personal income tax is reached. The theory behind this bill is appealing because experience in recent years has been that increased revenues have been entirely devoted to increased expenditures. However, it would seem difficult for one Congress to limit the freedom of a successor Congress in tax matters; thus, in the last analysis, this particular measure may fail of passage.

It is your Committee's feeling that this Association should continue to urge that as promptly as possible the maximum rate of personal income tax be reduced to 50%. Rates higher than this make it more worthwhile for a taxpayer to devote his effort to tax avoidance than to earning additional income and are therefore basically destructive. Such a reduction would, in the first instance, cost little—only 2% of the amount now being collected from personal income taxes—and the additional incentive to productive effort which such a reduction would produce could be expected to result in an increase in Treasury tax revenues within a very short period of time.

Double Taxation

As forecast in last year's report, in the past session of Congress a number of efforts were made by left-wing elements to eliminate the present 4% tax credit on dividends. The effect of this credit is to provide a small measure of relief from the present inequitable

double taxation of corpoarte earnings. If the credit were raised to 20% (the Canadian level) it would have the effect of relieving taxpayers in the lowest bracket from double taxation. We feel that this reform is logical and should be enacted.

Withholding of Taxes on Dividends and Interest

Because an analysis of income sources reveals a considerable apparent under-reporting by taxpayers of dividend and interest income, the Treasury is pressing for a scheme of dividend and interest withholding at the source. It seems logical to believe that much of the apparent under-reporting of dividends and interest is due to the fact that this income is received by minors and retired persons, small charitable institutions and the like, who are in fact not required to file income tax returns. The withholding of taxes on dividends and interest would impose a large and, we believe, unjustifiable, clerical burden on our industry. We should cooperate enthusiastically with Treasury efforts to reduce under-reporting, but should, we feel, oppose legislation requiring withholding.

We earnestly hope that every member of this Association will make it a matter of first priority to make our views on the subject of taxation known to his Congressional repreesntatives as promptly, as earnestly and as forcibly as possible.

Respectfully submitted,

FEDERAL TAXATION COMMITTEE

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Washington, D. C.

Frank C. Trubee, Jr.
Trubee, Collins & Co.
Buffalo, N. Y.

Roberge With Benkert

(Special to THE FINANCIAL CHRONICLE)

LEWISTON, Me. — Gaston J. Roberge has become associated with A. W. Benkert & Co. He formerly conducted his own investment business in Lewiston.

Form Realty Planning

Realty Planning Corporation is engaging in a securities business from offices at 48 West 48th Street, New York City. Officers are Irving Gitterman, President; Edith Greenberg, Secretary-Treasurer.

A Call for More Private International Financing

Continued from page 21

that there could be no possible misunderstanding, the directors of the Export-Import Bank unanimously supported the Administration's recent recommendation that the capital of both the International Monetary Fund and the International Bank be increased. My own personal opinion has been that certain of the member countries should pay what I might lightly refer to as their "delinquent dues" and that those countries which have consistently placed purchase restrictions on their subscriptions made to date should be further encouraged to release them. This, I repeat, is a purely personal, and not official, observation.

Having made these comments with regard to the two institutions —the International Bank for Reconstruction and Development and the Export-Import Bank, both of which operate in the international field—it must now be emphasized our respective approaches to the activities of the Investment Bankers Association are basically from different angles.

The members of the Investment Bankers Association have done an outstanding job in the distribution of International Bank bonds. The Eximbank, being a wholly owned United States institution, does its borrowing from the U. S. Treasury by Congressional authority and therefore has no bonds for sale. Let me repeat, however, that the Eximbank pays to the Treasury interest on all monies borrowed as well as annual dividends on its capital stock.

Invite Equity Financing Partnership

Where we at the Eximbank feel we could and possibly should work more closely with the members of the Investment Bankers Association is in the field of equities. In other words, it is conceivable a joint venture might be arranged where in the Eximbank could provide debt capital for purchases in the United States and investment bankers could provide all or a part of the equity, and prechance arrange for management contracts if necessary or desired. If, in the putting together of a so-called "package deal" investment bankers could place all or a part of the senior debt financing with any private or institutional investors, that too would make us very happy.

We in the Export-Import Bank are dedicated to helping the President and the Administration balance the budget, and at the same time we want to maintain our rhythm in financing our international trade. To the extent private capital replaces or supplements the activity of the Eximbank, the U. S. Treasury is relieved from a corresponding draw and a contribution is made toward the desired end.

There are many ways in which private capital and investment bankers can work in fields pioneered by the U. S. Government and through the Export-Import Bank. For example, the U. S. Government, through the Export-Import Bank, made in 1954 the original and basic loan of $100 million to the European Coal and Steel Community. The Community has since, by unwritten understanding, quite properly looked to the private markets, both here and in Europe, for its subsequent financing.

On Feb. 9, next, the Southern Peru Copper Corporation project which has been under construction for the past four years will be officially dedicated. The Export-Import Bank has loaned more than $100 million for purchases in the United States. The equity is owned by four companies with which investment bankers are undoubtedly familiar — American Smelting and Refining Company, Phelps Dodge Corporation, Cerro de Pasco Corporation, and Newmont Mining Corporation.

In 1954 the Eximbank extended a credit of $16 million to the Government of New Zealand to assist in building a paper and pulp project which, now that it has been completed, involved a reported investment in excess of $50 million. Only $13 million of the credit was used, approximately $4.6 million has been paid, leaving $8.4 million outstanding upon which semiannual payments of principal and interest are being made regularly.

Here I have given but three examples of credits extended to (1) a combination of countries, (2) a wholly-owned U. S. operation, and (3) a sovereign government. Many more examples could be given of credits to governments, government entities, and private companies which now finance wholly or in part through private banks and the Export-Import Bank. We also have examples of foreign private and mixed companies which did their original financing through the Eximbank and which now handle their current credits directly in the private markets, both in the United States and in Europe. And that is as it should be.

Favors Two-Way Trade

Now, and in conclusion, we at the Export-Import Bank are dedicated to the furthering of international trade. We are convinced that international trade, soundly financed, will contribute to a strong economy within our own country. Furthermore, and of equal importance, it also makes a contribution to raising the standard of living throughout the world. Last, but surely not least, profitable two-way trade results in improved relations with our allies throughout the Free World.

We at the Export-Import Bank have welcomed as the newest member of our Board of Directors, President Eisenhower's recent appointment, a former Investment Bankers Association member, James S. Bush. We welcome proposals from the investment banking fraternity in the hope that, through our common efforts, we can advance throughout the Free World the cause to which we are all so vitally dedicated.

*An address by Mr. Waugh before the 48th Annual Convention of the Investment Bankers Association of America, Bal Harbour, Fla., Dec. 3, 1959.

Report of IBA Public Utilities Securities Comm.

Public utility investment bankers contend that despite some helpful amendments to the act authorizing TVA self-financing, which provides for certain business accounting practices, the concept still constitutes a serious defeat for the private enterprise system. The bankers again urge disinvestment from public power; demand that government operation pay the going rate of interest; and review current proposals being made for more public power. Proud of the accomplishments of the private power sector, the committee presents statistics showing continuing growth and greater need for more capital.

Sensing a continuing improvement in fair regulatory treatment for privately owned public power, the Public Utilities Committee report to the IBA painted an optimistic picture of future growth. However, the Committee greatly feared a ruinous threat inherent in TVA's self-financing authorization and again, as in the past, urgently called for the cessation of all public owned public power projects. The concise, forceful Committee report was submitted by Thomas M. Johnson, of Johnson, Lane, Space Corporation, Savannah, Ga., to the IBA at its Annual Meeting.

Thomas M. Johnson

The text of the Report follows:

There is a philosophy of history contending that advancement in society occurs only when opposite points of view are successfully resolved into some new synthesis. Compromise as a method of progress is thus sanctified, and the resultant concept is deemed to be demonstrably constructive. Because the recent outcome of the contest to amend the Tennessee Valley Authority Act represents an-out-an-out compromise, your Public Utility Securities Committee accepts the achievement with what philosophy it can muster, and leaves to others the new problems thereby engendered.

You will recall that at our Spring meeting in May, 1958, the Board of Governors of this Association endorsed the recommendations of your committee that support be given the utility industry in its battle against the legislation being proposed to the Congress by the proponents of public power authorizing the TVA to issue revenue bonds. We were convinced that far from solving the public power problem, the amendments originally advanced by Senator Kerr in the 85th and 86th sessions would in fact have completely emancipated the three directors of this gigantic government project from any effective Executive or Congressional control. We believe that the design would encourage indefinite expansion of territory and unrestrained competition, and that it would perpetuate unsound and inequitable financing. Specifically we recommended the divestment by the Federal Government of the TVA and other similar power projects, and until this were done, we proposed amendments to the law forbidding further expansion of the Authority and compelling it to charge rates adequate to cover proper taxes and interest and amortization on the taxpayers' investment in power facilities.

Concessions That Were Made

The amendments to the Tennessee Valley Authority Act were incorporated in Public Laws 137 and 157 of the 86th Congress and were approved by the President on Aug. 14, 1959. Authorization has now been granted TVA to issue up to 750,000,000 of revenue bonds to the public with virtually no effective restrictions on the method of financing or the use of the proceeds. Although there was no sign of reversing the socialistic trend toward greater government participation in business, nevertheless concessions were made in the final legislation that met most of the interim suggestions of your committee and the utility industry. The service area of TVA was limited to that presently covered plus not more than an additional five miles around the periphery. The Authority must henceforth pay an annual return to the government on some 1.2 billion of appropriation investment at a rate equal to the computed average interest cost of the Treasury's publicly held obligations, and a schedule amortizing $1 billion of the taxpayers' investment is to be followed so that the total amount will be reimbursed to the Treasury in 54 years. The Authority is required to charge rates sufficient to cover all costs of operation, maintenance and administration of the power facilities, provide debt service on securities outstanding in the hands of the public, make payments to States and counties in lieu of taxes, and pay interest and return of capital on the appropriation investment in the manner described.

The major new concept now written into law gives status to the independent government enterprise. It is apparent that the ability to finance through public sale of securities relieves administrators of the need to appeal to Congress for appropriations and thus frees them from such supervision. Furthermore no submission to the Federal budgetary policies is required, and as long as the basic operation remains viable and the public will accept the issues, the executive department exercises no control. In fact the new law pointedly states that the TVA "shall not be subject to the requirements or limitations of any other law" and counsel for the National Association of Electric Companies states his opinion that "neither the President nor the Congress will have any authority in law over the expenditure of the proceeds from revenue bonds."

Although the utilities have managed to contain the TVA at this time, nevertheless acceptance of the principle of self-financing is in our opinion a serious defeat to the private enterprise system. Government no longer exists to arbitrate between contending factions or even to regulate the operation of private interest; instead it is a mighty competitor against its own citizens and not subject to their recall.

The directors of TVA have not delayed in exploiting the new authorization, and contracts have already been let for its largest steam-electric plant to be located near Paradise, Ky. and estimated

ELECTRIC UTILITY INDUSTRY

12 Months Ended—	Electric Production (Thousands of Kwh.)	Installed Generating Capacity at End of Period (Kwh.)
Aug. 31, 1959	693,022,187	153,673,000
Aug. 31, 1958	632,825,000	136,192,000
Aug. 31, 1957	624,302,252	125,753,959
Aug. 31, 1956	589,452,837	118,010,526
Aug. 31, 1955	518,363,951	110,029,299
Dec. 31, 1954	471,686,354	102,592,410
Dec. 31, 1949	291,099,543	63,100,334
Dec. 31, 1941	164,787,878	42,405,436
Dec. 31, 1929	92,180,273	29,839,459

SOURCE: Electric Power Statistics—Federal Power Commission.

Securities Sold
(Thousands of dollars)

	—9 Months to September 30—			
	1959	1958	1957	1956
Long-Term Debt:				
Publicly	$819,600	$1,463,000	$1,283,500	$661,500
Subscription	100,571	19,700	101,052	59,779
Privately	93,150	90,393	150,950	27,500
	$1,013,321	$1,573,093	$1,535,502	$748,779
Preferred Stock:				
Publicly	68,142	192,500	59,057	134,265
Subscription	------	27,283	1,639	32,836
Privately	12,300	12,100	------	10,600
	$80,442	$231,883	$60,696	$177,701
Common Stock:				
Publicly	130,535	61,125	120,856	63,362
Subscription	243,946	133,886	291,524	141,254
	$374,481	$195,011	$412,380	$204,616
Total Financing	$1,468,244	$1,999,987	$2,008,578	$1,131,096
Total New Money	1,461,072	1,898,087	1,985,768	1,127,000

SOURCE: Ebasco Services, Incorporated.

TELEPHONE INDUSTRY

	—Phones Installed— (in thousands)		—Operating Revenues— (in thousands of dollars)		—Plant Investment— (in thousands of dollars)	
Year End:	Indep.	Bell Sys.	Independents	Bell System	Independen.s	Bell System
1958	9,871	60.073	$764,040	$6,967,880	$2,961,185	$21,369,270
1957	9,617	54,241	722,873	6,467,583	2,760,215	19,681,340
1956	9,112	51,344	648,222	5,966,190	2,323,052	17,556,590
1955	8,461	48,029	596,030	5,425,442	2,042,822	15,799,247
1954	7,996	45,044	526,109	4,907,481	1,795,029	14,567,746
1949	6,086	34,776	286,572	2,970.690	961,199	9,726,535
1946	4,825	26,900	201,170	2,157,917	655,878	6,440,847

SOURCE: Statistics of the Independent Telephone Industry—United States Independent Telephone Association.

to cost more than $100 million. Its initial unit will be rated at 600,000 kilowatts and will bring the total installed capacity of the system to over 12 million kilowatts of which 8.3 million kilowatts, or about 70% represents steam generation. This is a far departure from the original Act of 1933 which intended only to permit the Authority to construct hydro-power facilities as an incident to its primary purpose of flood control and navigation! The new expansion will be financed by the sale of revenue bonds to the public in about six months, and the irony implicit in the formation of four nation-wide underwriting groups of investment bankers to compete in bidding for the issues needs no comment.

Interest Rate Subsidy

On the other hand the new amendments do incorporate certain business conceptions that may be considered constructive. The requirement to pay interest on appropriation investments and reimburse them over a reasonable period of time should tend to force the government corporations to follow economic practices. This does not mean to say that hidden subsidies will be eliminated, and the advantages will continue to be heavily weighted in favor of the government undertaking. Taxes alone provide a sizable benefit, as for example, the TVA and its distributors combined paid out only 3.66c of their revenue dollar "in lieu of taxes" in 1956 as compared with 23.4c for taxes of all kinds paid out by investor-owned utilities in the same period. The Rural Electrification Administration still offers loans for full construction costs to telephone and electric cooperatives at a 2% interest rate even though the Treasury has been forced to pay as high as 5% for relatively short-term money. In the case of the REAs the President of the Edison Electric Institute recently pointed out that over 97% of the farms in America are now being supplied with electricity and that these cooperatives have now expanded into the suburban, commercial and industrial business as well as into the generation and transmission of electricity. In the past five years their commercial and industrial business has doubled, and currently three out of every four REA customers are non-farm. Where it was possible to invoke the general welfare, certain grants may have been justified, but the original task of the REAs has been completed, and no reason exists for continuing this "most serious major competitor of investor-owned utilities." The obligation of TVA to pay the going rate of interest should set a pattern for all government lending policies, and we urge that legislation be adopted to force compliance upon other government agencies in the future.

The interest subsidy, however, seems to be deeply imbedded in the thinking of the proponents of public power. Another example of its persistence can be seen in the revived proposals to undertake the project abandoned in 1936 for harnessing the tides of Passamaquoddy Bay for power production. An International Joint Commission on U. S.-Canadian Waters has announced its preliminary studies of feasibility after a three year and $3 million analysis. Its Engineering Board has proclaimed that for $688,000,000 the tidal project, in combination with a hydro-electric development of the Rankin Rapids on the St. John River, could be constructed to provide a dependable capacity of 555,000 kilowatts. This works out at a cost of over $1,200 per kilowatt of dependable power, and based on an amortization period of 50 years, the cost of power without any allowance for displaced taxes would be 8.4 mills per kilowatt in the United States. These costs, and therefore the fundamental economic feasibility of the whole scheme, is based on an assumed interest rate of 2½%. Though we will not take the time here to estimate the costs should interest rates be doubled, we will have much more to say if this proposition makes further headway.

Other Public Power Proposals

Another proposal for a Federal power enterprise has made some progress in Congress. This is the Burns Creek Project in the Upper Snake River Valley of southeastern Idaho about 30 miles downstream from the Palisades Dam of the Bureau of Reclamation. A bill introduced by the two senators from Idaho, S.281, was passed by the Senate July 24, 1959, and along with an identical House bill, HR 1235, it is now before the House Subcommittee on Irrigation and Reclamation. Although described as a re-regulation project, Burns Creek is primarily a hydro-electric development with 98% of the cost allocated to power. It would have 90,000 kilowatts of installed generating capacity and develop about ½ billion kilowatts a year. The cost is estimated at $48,800,000 and will admittedly be un-economic with net annual revenues falling some $300,000 short of meeting annual interest costs figured at a subsidized rate of 3%. The Bureau proposes to integrate this operation financially and hydraulically with the 114,000 kilowatt multiple purpose Palisades operation which would extend the payout period of Palisades power facilities from 21 to 53 years.

It should be pointed out that the Burns Creek Project is wholly unnecessary. It will not appreciably add to the irrigation potential of the area, nor is there any shortage of available electricity. The two private utilities serving the territory are meeting all requirements and have large additional facilities under construction to meet every foreseeable future demand. Instead, this proposal is an attempt to introduce a new concept into the public power picture; "Senator Neuberger enunciates it as a public utility responsibility to supply the net wholesale power needs of distributors or consumers who desire to purchase from it." Mr. N. B. Bennett of the Bureau of Reclamation testifying before the Senate Subcommittee clarified the Bureau's position by stating that in spite of the ability of private utilities to take care of the increased loads "these people now have contracts for power with the Federal Government, and we believe that they should continue to receive from the Federal Government the power to meet their growing loads." Also Senator Church, cosponsor of the bill, in subsequent debate, repeated that "The testimony before the Committee in my opinion clearly demonstrated that there is presently a severe power shortage for the **preference** customers served by the Bureau of Reclamation dams in southern Idaho, and this shortage will grow to the point of a serious crisis for all **cooperatives** if the Burns Creek dam is not constructed." In other words, the Federal Government should undertake the responsibility of meeting all requirements of preferential customers for cheap.

Continued on page 36

GAS UTILITY & PIPELINE INDUSTRY

12 Months' Period:	Total Revenues	Construction Expenditures	Customers
June 30, 1959	$7,533,000,000	*$1,859,000,000	31,681,000
June 30, 1958	6,824,000,000	1,618,000,000	30,879,000
June 30, 1957	6,090,000,000	1,772,000,000	29,988,000
June 30, 1956	5,698,000,000	1,552,000,000	29,190,000
June 30, 1955	4,901,000,000	1,345,000,000	27,954,000
Dec. 31, 1954	3,052,000,000	1,055,000,000	27,528,000
Dec. 31, 1951	2,228,000,000	1,462,000,000	24,953,000
1946-50 Average	1,565,000,000	799,000,000	22,267,000

*Estimated.

Forecast of Construction Expenditures

1959—$1,859 million 1960—$1,898 million

Gas Operating and Holding Companies Securities Sold

(Thousands of dollars)

	1958	1957	1956	1955
Debt Issues	$1,858,044	$1,964,839	$1,142,624	$946,577
Preferred Stocks	258,649	162,189	258,930	192,043
Common Stocks	364,813	293,798	182,151	274,153
Total	$2,481,506	$2,420,826	$1,583,705	$1,412,753

SOURCE: "Gas Facts" and Quarterly Report American Gas Association.

Relative Yields on Public Utilities Securities

	As of October 31		
Bonds—Yields to Maturity:	1957	1958	1959
Triple A	4.73%	4.17%	4.30%
Double A	4.75	4.27	4.40
A	4.84	4.45	4.63
Preferred Stocks—Yields:			
Group I	4.97	4.73	4.97
Group II	5.08	4.81	5.04
Group III	5.17	4.97	5.29
Common Stocks—Yields:			
Group I	4.25	4.37	5.41
Group II	4.36	4.43	5.45
Group III	4.36	4.60	5.72

Prepared by Irving Trust Co.

Report of IBA Public Utilities Securities Comm.

Continued from page 35

subsidized power even though there is an adequacy of privately generated power available at regular rates.

Senator Neuberger, the perennial spokesman for public power, has a bill before the Senate, (S.1927), to establish a Bonneville Power Corporation. In introducing his legislation, he stated that in his opinion "the provision for the Bonneville Power Corporation to have a public utility responsibility is the most important single element in this bill." In addition, "if the Bonneville Power Authority is to continue its effectiveness as a dynamic factor in the regions economy, it must have authority to supplement its hydro resources with thermal power installations. The failure to press ahead with the vital upstream storage projects like Hells Canyon has crippled the firm-power capability of the system and destroyed its ability to serve the industrial loads on which much of the regions economic growth must be founded." The proposed Corporation would accomplish its expansion by issuance of revenue bonds to the Treasury up to a maximum of $1.1 bililon, albeit "at a rate of interest equal to the average rate of outstanding Treasury obligations at the beginning of the fiscal year." After 150 years it seems strange to hear the gospel of mercantilism again being preached in our land!

Growth Continues

In accordance with our usual practice of conserving space, we attach herewith abbreviated tables of statistics that show the continuing growth of the public utility industry. We would like to spend time outlining the fantastic possibilities inherent in the demographic predictions with which we are all familiar, but let it be sufficient to note that reliable prognosticators are convinced that the demand for power on the part of the exploding population and automated industry will require uninterrupted expansion of utility facilities. It is unnecessary to labor the point that the need for capital by the investor-owned utilities will be further accelerated and that the competition for funds against alternate opportunities requires the maintenance of a satisfactory regulatory climate. In this matter, we sense a continuing improvement throughout most of the country and believe that more and more of the State commissions are being brought to appreciate the necessity for fair consideration if the utilities are to continue to meet their responsibilities. There are of course certain areas where the light is still to be spread, but each year the problems seem to be lessening, and we will watch that the trend persists.

We cannot close this report without stressing once again the warning we have issued in the past: as always the real enemy of our society and way of life is the ancient tyranny of the State. Its methods may be more subtle and insidious today, but there is no gainsaying that steadily it encroaches, even seems to be invited, to undermine our free enterprise system. The utility industry whose welfare is the concern of this committee, being basic to all industry, is only the first assailed. Who can have assurance that the socialists will be satisfied with control of this industry alone, or in fact who can have confidence that Khrushchev's prophesy will not be fulfilled and our grandchildren be forced to live under a system little different from Communism! Seduced by the appeals of the welfare state, we no longer operate as a thinking electorate. Through default, we have allowed our representatives to bargain away too many of our native rights and turn over too much of our individual initiative to that new ruling elite which is the unrestricted bureaucracy of central government. We have spoken of the philosophy of progress through compromise, but this does not mean abject surrender of one faction to another. Unless our traditional concepts are truly defended, our conflicts will not be resolved in a manner coincident with the spirit of our evolution. Then instead of a forward march toward higher freedom and opportunity for all Americans, this civilization will retrogress into the same sedentary autocracy as those that have preceded us in history. This, too, is a time of crisis with no place for sunshine patriots, and it better be holden on each of us to face up to his responsibilities and not be disenfranchised by lack of interest or of enlightenment!

Respectfully submitted,

PUBLIC UTILITY SECURITIES COMMITTEE

Thomas M. Johnson, Chairman
The Johnson, Lane, Space Corp.
Savannah, Ga.

William N. Bannard, 3rd
American Securities Corp.
New York, N. Y.

George deB. Bell
Drexel & Co.
Philadelphia, Pa.

Elwood D. Boynton
Childs Securities Corporation
New York, N. Y.

John H. Brooks
Putnam & Co.
Hartford, Conn.

Carl C. Brown
Dean Witter & Co.
New York, N. Y.

Edward J. Costigan, Jr.
Edward D. Jones & Co.
St. Louis, Mo.

Carl H. Doerge
Wm. J. Mericka & Co., Inc.
Cleveland, Ohio

Thomas B. Gannett
Hornblower & Weeks
Boston, Mass.

W. Ronald Gill
G. H. Walker & Co.
Providence, R. I.

Charles F. Glore, Jr.
Glore, Forgan & Co.
Chicago, Ill.

Willard R. Hendrix
Equitable Securities Corp.
Nashville, Tenn.

William B. Holton
The Kentucky Company
Lexington, Ky.

Edwin B. Horner
Francis I. duPont & Co.
Lynchburg, Va.

B. Franklin Houston
Dallas Union Securities Co., Inc.
Dallas, Texas

Richard W. Jones
Mitchum, Jones & Templeton
Los Angeles, Calif.

Milton F. Lewis
A. G. Becker & Co. Incorporated
New York, N. Y.

Wallace M. McCurdy
Thayer, Baker & Co.
Philadelphia, Pa.

Robert H. O'Keef
The Marshall Company
Milwaukee, Wis.

James M. Powell
Boettcher and Company
Denver, Colo.

Franklin B. Schmick
H. M. Byllesby and Company, Incorporated, Chicago, Ill.

John C. Schutz
Chiles-Schutz Co.
Omaha, Neb.

Albert E. Schwabacher, Jr.
Schwabacher & Co.
San Francisco, Calif.

J. Raymond Smith
Weeden & Co.
New York, N. Y.

Carl Stolle
G. A. Saxton & Co., Inc.
New York, N. Y.

Harold H. Young
Eastman Dillon, Union Securities & Co., New York, N. Y.

Chicago Analysts Forecast Forum

CHICAGO, Ill. — The Investment Analysts Society of Chicago will held their annual forecast forum on Dec. 17 in the Grand Ballroom of the Midland Hotel. Speakers will be Arthur Rosenbau, economist of Sears, Roebuck and Company; John Perkins, Vice-President of the Continental Illinois National Bank & Trust Company; and Ragnar D. Naess, partner of Naess & Thomas.

La Branche & Wood & Co. New Firm Name

On Jan. 1 Francis F. Rosenbaum and Francis F. Rosenbaum, Jr., both members of the New York Stock Exchange, will be admitted to partnership in La Branche & Wood, 120 Broadway, New York City, and the firm name will be changed to La Branche & Wood & Co. Both are partners in Rosenbaum & Co. which is being dissolved.

Canadian Bank of Commerce Elects

TORONTO, Canada — James Stewart has retired as Chairman of the Board of Directors of The Canadian Bank of Commerce, and N. J. McKinnon, President, has been elected Chairman and President, it has been announced. Mr. Stewart will continue as a member of the Board of Directors.

Neil John McKinnon

It was also announced that W. M. Currie has been appointed Deputy General Manager of the Bank. He has been an Assistant General Manager at the head office in Toronto since May, 1959, and prior thereto he was Assistant General Manager and Regional Superintendent of the Bank's Central West Region, with headquarters at Winnipeg, Manitoba.

Mr. Stewart came to Canada from Scotland and entered the service of the bank at Sherbrooke, Quebec in 1914. He was appointed General Manager in 1948; President in 1952, and has been Chairman since 1956.

Mr. McKinnon was named General Manager in 1952 and has been President of the bank since 1956.

Vice-Presidents of the bank are G. Peter Campbell, J. Grant Glassco and Joseph Harris. J. P. R. Wadsworth is Vice-President and General Manager.

Edmund Shlens Opens

CHAMPAIGN, Ill. — Edmund Shlens has opened offices at 44 Main Street to engage in a securities business.

A. M. Silverman Opens

WYNNEWOOD, Pa. — Allan M. Silverman has formed Allan M. Silverman & Co. with offices at 251 Gipsy Lane to engage in a securities business.

R. F. Tomlin Opens

ROCKVILLE CENTRE, N. Y. — Robert F. Tomlin is conducting a securities business from offices at 72 Broadway.

Report of IBA State Legislation Committee

Investment Bankers Assn.'s Committee on State Legislation posts fellow bankers on state legislative matters transpiring in the past year affecting investment banking. The Committee, thus, offers a state by state summary of amendments to state blue sky laws; statement of policy regarding options and warrants adopted by the Association of State Blue Sky Law Commissioners worked up in cooperation with the IBA subcommittee headed by Robert Podesta of Cruttenden, Podesta & Co., Chicago; presents status of variable annuities and of gifts under the Gifts to Minors Acts.

Dedicated to the goal of a closer working relationship between the investment banking industry and state legislatures and administra-

Robert A. Podesta George A. Newton

tive officials, the State Legislation Committee of the IBA reports on what has been done this year to facilitate the providing of funds for industry, and State and local governments. The Chairman of the Committee is George A. Newton, of G. H. Walker & Co., St. Louis.

The text of the Report follows:

In approaching state legislation relating to investment banking, your committee endeavored to emphasize the facts that (1) investment bankers and the industry perform a function essential to the American free enterprise system in providing funds for private industry and for state and local governments, and (2) the industry overall has demonstrated its dedication to high ethics with investment bankers conducting their business with such integrity that occasional instances to the contrary receive considerable notoriety. Viewed with this background, it was hoped that legislation regulating the sale of securities might facilitate financing for legitimate enterprises and permit the orderly conduct of business by responsible and honest persons with a minimum of regulation, as well as being designed to prevent fraudulent schemes and to penalize irresponsible persons from engaging in the securities business. This committee has repeatedly encouraged a closer working relationship between the legislative committees of the investment banking industry and members of state legislatures and administrative officials, so that there may be a better understanding of the functions of the investment bonkers and the problems of carrying on the business.

During 1959 the Legislatures of 48 states were in session (including Alaska and Hawaii). The many important enactments are summarized in Appendix A. High lights of these enactments and significant administrative and judicial decisions are set forth as follows:

I

Amendments to State Securities Acts in 1959

Amendments to the securities acts were adopted this year in the following 26 states:

Alabama
Alaska
Arkansas
California
Colorado
Connecticut
Florida
Georgia
Hawaii
Indiana
Iowa
Kansas
Minnesota
Nebraska
New Mexico
New York
North Carolina
North Dakota
Oklahoma
Oregon
Rhode Island
South Dakota
Tennessee
Texas
Washington
Wisconsin

In Alabama, Alaska, Arkansas, Oklahoma and Washington, complete new securities acts were adopted based on the Uniform Securities Act with some modifications. It should be noted that the Alaska Act includes only anti-fraud provisions and requirements for the registration of dealers and salesmen, but does not require the registration of securities.

In Washington adoption of the new Securities Act was of special interest since it concluded seven years of effort. Men who have worked so persistently on this project, include Lyle Wilson (Pacific Northwest Company, Seattle), Sherman Ellsworth (Wm. F. Harper & Son & Company, Seattle), Donald Meyer (Foster & Marshall, Seattle) and Robert Daniel (Pacific Northwest Company, Seattle). The adoption of this Act received the active support of Washington's Governor Rossellini and the Washington Securities Commissioner, Bernard G. Lonctot.

Particular mention should be made of one provision of the new Washington Act which creates a State Advisory Committee to consist of seven members, appointed by the Director on the basis of experience and qualifications, to serve in an advisory capacity to the Director on matters pertaining to the Act.

New York amended its Blue Sky Law but omitted several objectionable provisions contained in the original draft. The principal provisions of the amendment as finally adopted provide that brokers and salesmen, as well as dealers, must register; that registration shall be effective for periods of four years commencing Jan. 5, 1960, that all registration statements filed pursuant to prior provisions of law shall remain in effect until Jan. 5, 1960; and that certain fees shall be paid for registration. Especially active in achieving these results were John Curley (Paine, Webber, Jackson & Curtis, New York), and Cushman McGee (R. W. Pressprich & Co., New York).

In Iowa the Securities Act was amended in several significant aspects: (a) A simplified notification procedure was provided for registration of securities meeting certain requirements. (b) An exemption was provided for secondary market sales by registered dealers where certain information regarding these securities is available in a recognized manual. (c) Exempted are unsolicited transactions by registered dealers. (d) Exempted are offers of securities made prior to effective date, pending registration of the securities under the Federal Securities Act of 1933 and the State Act. (e) The Commissioner is authorized to accept a copy of the Federal prospectus in lieu of other information required in registering securities by qualification. Among those working most diligently on this matter were Roy Leriche (First of Iowa Corporation, Des Moines), Ted C. Henderson (T. C. Henderson & Co., Inc., Des Moines) and John Quail (Quail & Co., Inc., Davenport). The Iowa Insurance Department, which administers the securities act, supported these amendments.

In California this year there was undertaken a major project to obtain adoption of the Uniform Securities Act in California. Assembly Bill 2531, embodying the Uniform Act with several modifications, was introduced in the California Legislature and was referred to an Interim Committee on Judicial-Civil for consideration prior to the next session of the Legislature. Hearings by the Interim Committee were held in San Francisco on Oct. 15-16, at which testimony was presented by various representatives of the IBA California Group and by the Assistant General Counsel of the IBA. Further hearings will be held in Los Angeles on Jan. 21-22. This bill is supported by California Corporation Commisisoner, John Sobieski. Work on this bill has been handled by a special committee of the California Group, the members of which include Mr. William S. Hughes (Wagenseller & Durst, Inc., Los Angeles), Mr. George W. Davis (Davis, Skaggs & Co., San Francisco), Mr. Edward D. Heller (Schwabacher & Co., San Francisco), Mr. Warren Crowell (Crowell, Weedon & Co., Los Angeles) and Mr. George E. Jones (Mitchum, Jones & Templeton, Los Angeles). Appreciation is expressed to the members of this special committee for their work on this project.

At the time this report was prepared a bill was pending in the New Jersey Legislature to provide a complete new securities act. The bill is based on the Uniform Act, with modifications, but it includes only anti-fraud provisions and requirements for the registration of dealers and salesmen and would not require the registration of securities.

II

Options and Warrants

In 1946 the North American Security Administrators (the Association of State Blue Sky Law Commissioners) adopted a statement of policy regarding options and warrants which has been followed in a number of states. The statement provides:

"Warrants or stock purchase options to those other than the purchasers of securities will hereafter be looked upon with great disfavor and will be considered as a basis for denial of the application except in unusual instances and the burden shall always rest

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Report of IBA Aviation Securities Committee

Aviation investment banking specialists propose certain remedial measures to correct what they find wrong in the aviation industry. These measures include: (1) taking the Government (MATS) out of the airline business—except for hard core military matters—in order to establish an economically important air-cargo industry; (2) having the Government provide assistance in developing new cargo planes for more efficient operations without reliance on government loans; (3) confining the Civil Aeronautics Board to the philosophy and principles of the CAB Act; and (4) calling for the appointment of an outstanding individual to study the air transport regulatory problem and to develop a new program.

Concerned about the strain and imbalance in the vital partnership between the Government and the aviation industry, the 10-man group of financial executives comprising the IBA Aviation Securities Committee, headed by Walter M. Giblin, Vice-President of Blyth & Co., Inc., New York City, presented to the Convention a series of proposals designed to redress the situation, particularly in light of the Soviet threat to our national objectives.


Walter M. Giblin

Text of the Report follows:

I
Government—Industry Partnership

The critical danger threatening our national objectives in light of Soviet space probes, military power, and Communist economic penetrations demands the full understanding and support of the vital partnership which exists between the U. S. Government and the aviation industry.

Together, they provide strength for free world defense. They strive to capture space leadership. They seek progress in trade, commerce, and travel through advances in air transportation.

In the year just passed, jet and space age activity gave some testament to the worth of this relationship. But the same period produced also a measure of strain and imbalance between industry and government not in the national interest.

We focus attention here on this partnership and conclude that, therein, the capacity exists to meet the major challenges of our era. It is clear, however, that changes in policies and actions by the admittedly-senior partner (government) are vital to our continued well-being as a nation.

As before, the Department of Defense and our aircraft-missile industry continue to produce the plans, technology, and complex weapons systems to run the military rocket and arms race. Now the National Aeronautics and Space Administration joins this same team in what appears to be an uphill fight for space supremacy. In the commercial air transport field, the common purposes of government and industry are linked through the Federal Aviation Agency and Civil Aeronautics Board. Congress and upper echelons of the Administration, of course, have a prime role.

Where are the major problem areas in this relationship? Where are the cracks in the partnership? What are the points of achievement? And what is the significance of these things to the financial community?

II
The Civil Aeronautics Board

Cumbersome procedures that block quick, sure decisions historically have strained the CAB's potentially intimate partnership with industry. Charges of bureaucratic ineptness long have been leveled at this agency by the airlines, aircraft manufacturers, and others concerned with the economics of civil aviation.

Carriers charge failure by the Board to act quickly and decisively on their request for fare increases. CAB, it is said, seems to harbor a prejudice against profitable operation of America's privately-owned air transport industry.

Manufacturers see Board inaction as a serious problem to them since many are dependent upon the airlines' health for a large part of their own success.

The financial community and others concerned with the preservation of our competitive system and our economic well-being have added their voice.

One member of CAB, itself, Louis J. Hector, in a recent letter of resignation, critically analyzed the agency and proposed radical reorganization which would transfer the policy-making and administration functions of the Board to other hands in the Executive Department.

Whether this will come about or not, what is needed—and needed badly—is an immediate adequate fare structure for the airlines. Since the spring of 1956, when the Board initiated a General Passenger Fare Investigation, the commercial air transportation industry has awaited a determination on the new level of present fares and a formula for setting future long-distance fares. Such action is vital to the new equipment provisioning program and for airline planning for the future.

A few hopeful signs point toward 1960 as a year of progress in this and other crucial areas awaiting Board action. One sign is the infusion of new blood—the appointment of two and probably three new members to the five-man Board. Another is evidence that within the Administration, and within the CAB, itself, there is a determination that the agency at last, should begin to apply good business principles and stop impairing the profit-making of an industry which it is supposed to encourage.

The $2 billion worth of jets and turboprops now delivered or on order by the airlines is only a first step. Tomorrow will come modern cargo airplanes, supersonic transports, and a whole new bracket of problems requiring economic and regulatory action by the government.

Attitudes of indifference, almost opposition, to the aviation industry by the CAB should, indeed, be a thing of the past and should have no place in this new picture. For in the years ahead, the transport airplane will wield too powerful an influence in world military and commercial affairs.

III
The National Aeronautics and Space Administration

At isolated test facilities, little known to the public and in research laboratories scattered throughout the country, NASA directs a variety of research and development programs in space and aeronautics work.

It is closely allied with the Advanced Research Projects Agency (ARPA) of the Department of Defense, which was established to direct military space activities. It is spreading this alliance to industrial sources within the aviation-missile-space industry to solve many of the problems of flight within and beyond the earth's atmosphere. In the coming year, it will be spending substantial amounts of money, outside the agency, through contracts with industry and with scientific and educational institutions.

In its first full year of existence, NASA is known to have drawn together and given direction to a large segment of the nation's scientists, engineers, and production experts and to have carried out space experiments yielding important scientific knowledge.

Despite a number of failures, NASA reports it has established a firm foundation from which to launch the non-military U. S. space activities programmed for the not-too-distant future.

Dr. Keith Glennan, NASA administrator, told the American Bankers Association recently: "We do not intend to whine or grow hysterical every time the Russians score. We do not intend to rush pell-mell into makeshift space spectaculars in hopes of topping each Soviet space success. But I can assure you that we do not intend for long to run second in any phase of space exploration. Time is the key element and in time the United States will prevail over the present challenge in space as it has over equally harsh challenges in the past."

Most people familiar with our space research seem to agree that NASA has done well in organizing a sound program despite the limited support given to it by Congress.

But they see also frightening evidence that the U. S. Government is not taking needed action to accelerate our "snail's pace" in this field. This might be traced to lack of leadership in setting firm national goals to achieve superiority in space research in light of Soviet progress.

The authoritative trade publication, AVIATION WEEK, reflects this view, saying that "It is apparent that most of our past failures and the limitations of our current achievements stem from the budgetary blinders, executive indecision and administration ineptness that has characterized the start and faltering pace of the space program.

"Dr. Glennan and his cohorts will need far more fiscal, political and public support than they have received in the first year of their agency's existence if they are to make good on his firm public promise that the U. S. will eventually lead this field."

Does U. S. space exploration really lack urgency or purpose? Top Administration officials deny it. It may be true, they say, that some projects are not being given a blank check—that military programs, for example, must come ahead of civilian space programs.

Overall, it appears that the first step is for the United States to make up its mind whether or not to engage in a space race with the Soviet Union. But first, the White House must agree—second, Congress needs to be convinced. And, third, an often-confused public deserves better than a diet of conflicting reappraisals and policy

shuffling by their government leaders.

It appears that one way to end "lip service" to our space race with Russia is to exploit the advantages of the government's partnership with industry. We should get qualified men from the aviation - missile - electronics fields—men marked with prestige and success—and permit them to give the country the benefit of their experience.

Allowing greater support by our strong industrial elements can mean real progress in space leadership.

The recent appointment of Charles Critchfield, director of scientific research at Convair Division of General Dynamics Corp., as director of the Advanced Research Projects Agency, appeared to be an important step in this direction. Now Dr. Critchfield has withdrawn from this appointment because the goodwill and ethics of his company have been questioned by a member of Congress. Again in this instance the partners have failed each other.

IV

The Federal Aviation Agency

In an age when no two major points on the world's surface are more than two days' travel time apart, it is encouraging to observe the efforts of the Federal Aviation Agency to spread the advantages of air transportation to more and more people.

Vigorous leadership by Administrator E. R. Quesada has set this year-old agency to the task of modernizing the airways—installing radar and other electronic equipment, training larger numbers of traffic controllers, improving communications and developing new control procedures.

FAA is reducing the size of restricted areas to restore large tracts of air space to public use by closer integration between military and civil control within the FAA system.

The agency is looking ahead, planinng for those missile - like transports "of the foreseeable future" which have been predicted —planes that would take off and land vertically, fly at 4,700 miles per hour, whisk passengers from Amsterdam to Los Angeles in 98 minutes.

Of immediate interest, however, are the efforts of FAA to promote civil aviation today in the United States.

High on the list is the complex problem of how the U. S. shall bring into being a truly modern, economical transport fleet to serve the logistical needs of national defense and to take advantage of the great commercial potential of air cargo. This is a target for determined action by the FAA.

The basic issues, although clear to Administrator Quesada and others such as Senator A. S. Monroney, Chairman of the Senate Aviation Committee, still remain wrapped in controversy.

They involve not only Congress and FAA but other government agencies including the Defense Department, the Air Force and its Military Air Transport Service, the CAB, the airlines, and U. S. and foreign manufacturers who are offering new air cargo designs. The problems of finance bring investment banking circles into the picture.

General Quesada and Senator Monroney already have drawn plans to hasten the coming revolution in air cargo and to solve coincident problems, many with military overtones.

Although affirmative action by Congress or the Administration did not come in 1959, the basic issues were brought into focus. They are worth examining.

V

Air Cargo: Modernization of Airlift

How can we as a nation create an economically - important air cargo industry? Increase our brushfire war airlift? Give modern, jet-fast logistical support to SAC's striking power?

Can a single aircraft design do all these jobs—and simultaneously? What kind of power plant is best suited—turboprop, turbojet, or turbofan?

Who should haul the bulk of government military passengers and cargo—MATS or the civil carriers? Should MATS be limited to a truly combat transport service?

Can private enterprise, left to its own devices, create a modern air cargo fleet, and, through the Civil Reserve Air Fleet, satisfy defense airift requirements; or,

Is government assistance needed —to help cover development costs, to reduce unit costs of such aircraft through placement of government orders, or to provide subsidies, loan guarantees, etc?

What combination of government and private efforts could combine to get the program underway without delay?

How will the current orders for foreign-made cargo aircraft of this type force government attention to the problem?

Will Congress, beginning in January 1960, attempt to legislate solutions?

Concrete proposals, which cut across the lines of these basic issues, have come from many quarters in government and industry.

What these proposals boil down to is: get the government (MATS) out of the airline business, let the Post Office move mail by air where it is economically feasible, lend government assistance in various ways to bring into being modern cargo transport airplanes, and thus create an entire new industry in the transportation field. Finally, solve the long-neglected problem of adequate military airlift.

Of late, the controversy has centered about one concrete proposal. This would provide U. S. Government guaranteed loans for civil operators purchasing new cargo aircraft.

(a) The Quesada Plan

Under this plan, loans would be guaranteed by the U. S. Government if the planes meet certain design requirements (consideration of civil and military needs). CAB would certify that the borrower is responsible. The government would insist that some risk be taken and therefore has set minimum limits of 25% equity interest in each plane. There would be a $50 million aggregate maximum guarantee for any one carrier. Government would guarantee a maximum of 90% of each loan.

General Quesada, in a talk before the Aviation Securities Committee of the Investment Bankers Association, compared this proposed governmental assistance with that provided to build the U. S. S. United States. In that instance, the ship was built to government specifications at a cost of $70 million of which the government contributed $40 to $50 million. In addition, the government loaned about 80% of the remainder at a 3½% rate.

The FAA Administrator believes that an adequate jet or jet-prop cargo industry can be established if the government can encourage the building of the first 100 planes. The planes need not be manufactured in the United States under the present plan.

General Quesada had sought unanimous Administration agreement to his plan during the fall of 1959 but met with Air Force

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Report of IBA Aviation Securities Committee

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objection to the guaranteed loan program as proposed.

(b) The Air Force Position

While critics charge that the Air Force blocks an Administration position on guaranteed loans as a price for getting "fancy passenger type jets" for MATS, Air Secretary James Douglas denies it.

"The Air Force and the Department of Defense," Douglas declared, "are favorable to the encouragement of the development of air cargo planes which could be used for defense and commercial operations. They are also favorable in principle to the use of guaranteed-loan agreements. The concern of the Air Force . . . is with any implication that when such aircraft are developed, MATS could stop replacing obsolete equipment or that civil carriers could do the whole job."

The Secretary points out that the Air Force has always encouraged the development of useful cargo aircraft and cited the development funded by the Air Force of the T61 turboprop engine which could be mated to the Super-Hercules cargo transport.

The major bottleneck in the effort to bring about loan guarantees has been failure to convince Secretary Douglas that proposed legislation in this field is not an alternative to a strong, efficient Military Air Transport Service but is complementary.

(c) Senator Monroney's Position

Senator Monroney, generally sharing the views of FAA Administrator Quesada, remains confident that he can persuade Congress to approve government-guaranteed loans during the next session of Congress.

Senator Monroney has stated many times that he is not against MATS' modernization and that MATS today does not have enough airlift in terms of quantity. He disputes those in the military who claim that MATS, with its aging and obsolete fleet, has enough airlift in terms of quantity.

What the Senator proposes to a confused and sometimes - irked Congress, is that MATS' modernization should be based on its "strategic needs"—not on buying planes to "run an airline."

The Air Force should modernize MATS in terms of its **hard core military mission.** Also the Air Force would finally agree that a vast area of similarity exists between civilian and military requirements for airlift.

The Senator's mission, then, is to get Congress and the Administration to work together to bring into being an airplane which will do both jobs in terms of standardization, interchangeability and common capability.

We agree with the Senate's top aviation expert that a true cargo-troop carrying aircraft design can be tailored also to meet civil air cargo requirements. And, such an aircraft in the hands of the carriers could be made available, through the Civil Reserve Air Fleet, to MATS on short notice. Meanwhile, this commercial fleet could perform routine military logistics under contracts with MATS.

It seem logical that MATS could and should operate a smaller, but similar, fleet of airplanes that—with relatively low utilization—can be on a constant alert status, strategically located, and with crews in a high state of training.

The Monroney program would bring into being a strong civilian fleet of modern cargo airplanes which fill, at the same time, meet MATS' wartime requirements. Since ability to fill these requirements would be a prerequisite to qualify the airplanes for loan guarantees, Senator Monroney feels that this package makes sense.

(d) The CAB—Airline Position

The Civil Aeronautics Board, heir-apparent as administrator of any guaranteed loan program, has sought comments on the proposal from trunklines, all-cargo carriers, international and supplemental carriers.

A few of the major airlines (American, United, Flying Tigers) said outright that they did not need government guarantees. Others (like Slick and Riddle) fully supported the idea. Others were less positive, pro and con. Some said, "We'll wait and see."

In opposing the idea, American Airlines President C. R. Smith, declared that the "determining factor" in ordering cargo aircraft is profitability. He said this is not altered by the availability of a government loan—the money must be repaid and this is possible only through efficient operation of the aircraft. Such an operation "can and should be privately financed."

On the other hand, those carriers in favor declared that the guarantee program is essential to obtain financing.

The noncommittal attitude of many carriers leaves the airline industry's position at the moment somewhat in doubt. Firm expression will undoubtedly come with Congressional hearings on the legislation early in 1960.

(e) Commentary

The aircraft industry has been and will continue to be heavily dependent on government business. It constitutes for the government an important defense and economic resource. It is not incongruous, therefore, that some form of government assistance is proper to buttress and accelerate theb oom that most predict for the air freight industry.

If the need for government pump-priming is demonstrated, it fits definitely into our country's national policy to develop a sound air transport system for defense and for commercial needs.

Since competition in the upcoming air cargo transport field includes not only U. S. manufacturers but also aircraft designed and built abroad, the foreign aspects cannot be divorced in this case from the domestic. This fact alone should merit the attention and support of our government.

Today, the British, French, and Canadians are offering aircraft terms and credits which U. S. manufacturers say they cannot match. Tomorrow, the Russians may be added to the list.

Also, there have been suggestions that now is the time for the government to consider the impact on U. S. defense industries should disarmament or arms control come about. An obvious way to soften the financial an demployment impact would be for our government to assist by all proper means the sale, here and abroad, of modern transport and cargo aircraft.

U. S. manufacturers are now offering MATS and the airlines a variety of air cargo planes that will bring the direct operating cost per ton mile to $3\frac{1}{2}$ to 5 cents —down 50% from today's 7 to 10 cents—and permit a cost to the shippers of 12 cents per ton mile versus 25 or 30 cents today.

Included in the stable of offerings are "here today" airplanes and "down-the-road" airplanes. There are aircraft of pure cargo design and there are modifications of existing passenger aircraft.

Most experts feel that the commercial air cargo industry is approaching a period of considerable expansion. The future evolution of cargo aircraft presently envisions the conversion of present passenger planes to cargo use and the development of new turboprop and turbofan-powered craft.

The design of the future commercial cargo aircraft to serve the dual purpose of defense and commercial operations should satisfy both the expanding requirements of the industry and the bulk of MATS' modernization and operational demands.

The industry says that cargo designs with turboprop engines are, for all practical purposes, here today. The remedial measures necessary to get such a manufacturing program off and running all are within reach of the government, the military, the airlines, plane-builders, and the financial community.

The government for its part can, in effect, prime the pump. The alternative is to let things drift along into a big competitive battle two or three years hence, while foreign manufacturers absorb the immediate domestic market. With U. S. Government inaction, MATS' military airlift capability is allowed to lapse and its roles and missions remain unsettled.

Should government decide to fire the starting gun, however, it would permit everyone to get off and running.

Recommendations

Recognizing that the government and the aviation industry is a partnership, then the partnership must recognize that each partner is entitled to equitable treatment and that no partner can have it all his own way.

With this in mind, we strongly recommend:

(A) That MATS be limited to a hardcore military mission, but in this connection it should be given the most modern aircraft for that purpose, including equipment which could immediately support any strike by SAC.

(B) That the airlines take over the major part of the MATS cargo and personnel transport in order to develop the potential of the air cargo business to the point where considerably lower costs to the government and to the public could be made available.

(C) That the government recognize that there is a great need for development of an expanded cargo airlift for commercial and military purposes and should therefore give assurance of some form of assistance in developing new cargo planes which will permit the most efficient operations. Additionally, this would help the commercial carriers to build up a large modern fleet which would

be available to the military through the Civil Air Reserve Fleet.

In connection with the above, the majority of the Committee do not feel that guaranteed loans would necessarily be of major importance to the development of the aircargo business. One member of the Committee feels that a guaranteed loan program would be unsound and unneeded and that its implementation therefore would be contrary to the free enterprise philosophy — its effect would be to increase the debt burden of the companies least able to support more debt.

(D) That the Administration appoint an individual of outstanding ability to study the problems of air transport industry regulation in the jet age and seek to develop a new program which the Administration could support and submit to Congress for required legislative action. The Committee repeats this recommendation for the third year in succession.

That meanwhile the CAB show more amenity to the aims and needs of the airlines and act accordingly with all the vigor that the Board with its new members should develop—**and stick to the philosophy and principles of the Civil Aeronautics Act.**

(E) That the Administration and Congress use their influence, and if necessary, their powers, to bring the views and the perspectives of all these aviation partners into focus and into a practical, effective and constructive relationship.

Respectfully submitted,

AVIATION SECURITIES COMMITTEE

Walter M. Giblin, Chairman
Blyth & Co., Inc., New York

Sylvan C. Coleman
E. F. Hutton & Co., New York

Richard W. Courts
Courts & Co., Atlanta

S. T. Mason Frey
Bankers Trust Co., New York

William Barclay Harding
Smith, Barney & Co., New York

Herman H. Kahn
Lehman Brothers, New York

Donald N. McDonnell
Blyth & Co., Inc., New York

Richard W. Miller
William R. Staats & Co.
Los Angeles

James P. Mitchell
The Chase Manhattan Bank
New York

John Raiss
Burnham & Co., New York

Two With Barret Fitch

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Robert L. Goss and David A. Junge have become affiliated with Barret, Fitch, North & Co. Incorporated, 1006 Baltimore Avenue, members of the New York and Midwest Stock Exchanges. Mr. Junge was previously with Bache & Co.

Now Corporation

MONTGOMERY, Ala. — Sellers, Doe & Bonham, Commerce Building, is now doing business as a corporation. Officers are Philip A. Sellers, President; Weldon W. Doe, Jr., Vice-President; and John A. Bonham, Secretary-Treasurer.

Forms Personal Inv.

WOODSIDE, N. Y. — Thomas D. Levis is engaging in a securities business from offices at 50-62 45th Street, under the firm name of Personal Investors Company.

Edling Williams Adds

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Woodrow B. Larson and Fred A. Wolter have been added to the staff of Edling-Williams & Associates, Inc., 614 East Grant Street.

New Simon Office

ST. LOUIS, Mo.—I. M. Simon & Co. have opened a branch office in the Park Plaza Hotel under the direction of George N. Sardi, partner in the firm.

Report of IBA Investment Companies Committee

Figures recapitulating the continued expansion of investment companies are included in the Investment Companies Committee report which outlines significant developments in this vital field. Some of the developments reviewed deal with: SEC rules, State blue sky matters, municipal bond fund bills, issuance tax, Federal securities legislation, special studies being made of this field, public sale of stock in companies acting as investment advisers and/or distributors of investment company shares, and the success in publicizing this phase of the investment field.

The Investment Companies Committee report to the Investment Bankers Association membership at large, after reviewing matters of more than ordinary concern to the members of the Committee and to the Association, concluded that the year ahead will be an unusually eventful one. The Committee's Chairman is Robert E. Clark, of Calvin Bullock, Ltd., New York City.

Robert E. Clark

The text of the Report follows:

The 18 members of your Investment Companies Committee comprise a cross section of investment company managements, underwriters and distributors so that, to the extent possible, all principal phases of investment company operations may be represented. Members of the Committee are also active in other associations such as the National Association of Investment Companies, National Association of Securities Dealers, Inc. and the Association of Stock Exchange Firms and can, therefore, translate IBA attitudes and interests to these and other organizations. The past year has offered many opportunities for such exchanges of views on investment company developments. I believe that your Committee has made constructive contributions and can submit a report of more than usual interest.

Continued Expansion

The growth in investment companies, both as to assets and shareholders, has featured the reports of your Committee for the postwar years. Such expansion has continued in 1959. The estimated net purchases of investment company shares during 1959 will be $1.6 billion. Assets of the closed-end and open-end management type investment companies will be in the neighborhood of $17 billion at year-end — an increase of $2 billion for the year. An estimated 2 million individuals and institutions are represented by the 4½ million shareholder accounts in these investment companies.

It is estimated that investment companies currently own 3,500 securities issued by more than 2,000 corporations.

Total purchases of common stocks by open-end investment companies in 1958 were $2.4 billion and sales were $1.5 billion, for a total dollar figure of $3.9 billion. Of this amount, an estimated $3.1 billion of these transactions took place on the New York Stock Exchange. Investment companies also frequently appear as purchasers of secondary and special offerings and as purchasers of new security issues of established corporations.

For the first six months of 1959, total purchases and sales have been $2.6 billion with an estimated $2.0 billion on the Exchange.

It may be of interest to you, that in the first two quarters of 1959, investment companies did an estimated 5.4% of total purchasing of New York Stock Exchange trading volume and 3.6% of sales for a net purchase percentage of trading volume on the Exchange of 1.8%.

The investor owning investment company shares also utilizes, in many cases, other services available, in addition to the basics of diversification of the investment and full-time professional management. More than 1,100,000 of the 4.5 million shareholder accounts are in the form of accumulation plans for the periodic purchase of open-end investment company shares, or, for purchase under the Monthly Investment Plan of the New York Stock Exchange, the securities of listed closed-end companies. Shareholders of an additional 625,000 of the accounts have elected automatically to reinvest their dividend distributions. For just these two service features alone, more than one-third of the investors have taken an added service beyond management and diversification.

These are, we believe, impressive figures reflecting the vitality of this industry. However, it is well to recall the $17 billions in investment company assets, while indicating that a substantial institutional demand for securities exists in this area, represents a still modest influence relative to other institutional investing media. Assets of bank administered personal trust funds are estimated at more than $50 billions; life insurance company assets at $110 billions; corporate pension funds at $25 billions; mutual savings bank deposits at $34 billions.

Nevertheless, the rate of growth of the investment companies has inevitably encouraged inquiries concerning their effect upon investment markets and has encouraged new developments of interest to this Association and others. Some of the more significant ones of 1959 are reported herein.

Investigation of Size

The long announced investigation of size of investment companies under Section 14 (B) of the Investment Company Act of 1940 got under way through the distribution to investment companies of $1 million or more in size of a voluminous questionnaire prepared for the SEC by the Wharton School of Finance, University of Pennsylvania. The Securities Research Unit of that school has been employed by the SEC to carry out the study. At a considerable cost in time and money, a great deal of data has been collected and is in process of analysis by the Wharton School. It is expected that a series of reports resulting from this data will become available in coming months and years.

Commission on Money and Credit

The Council for Economic Development, under a grant from the Ford Foundation, has established an independent unit, The Commission on Money and Credit, to study the entire financial structure of the United States. This enormous undertaking is similar in scope to the work of the Aldrich Committee in 1908, and will cover all institutions and phases of finance. The National Association of Investment Companies has been asked to and has accepted a participation in this study by preparation of a monograph on the industry. It is expected that this study will be completed by

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the Institutional Studies Committee of the NAIC during 1960.

Variable Annuities

Another Committee will undoubtedly report on the Variable Annuity developments during the year, leading to the Supreme Court decision which, in effect, ruled that they constituted investments subject to Federal regulation. Certain variable annuity companies have sought exemptions to various sections of the Investment Company Act of 1940 and hearings have been held before the Securities & Exchange Commission on this matter. As this report is written, the extent to which exemptions will be granted is not known.

In New Jersey, the insurance law has been amended to authorize issuance and sale of variable annuities and laws to regulate such by the Insurance Department of that State.

These are matters of more than ordinary concern to your Committee and, in fact, to the Association.

1959 Distribution Developments

(1) *Sale of Management Company Stock.* Following a recent court decision, which permitted the public sale of stock in companies acting as investment advisers and/or distributors of investment company shares, 6 public offerings of this nature have been made in 1959. Thus, for the first time, public participation to any significant degree in these phases of the investment company business has been made possible. Members of this Association have underwritten such offerings and, at this writing, additional offerings are in registration.

(2) *Retail Distributing Organizations.* In 1959, there has been a considerable increase in the number of firms engaged exclusively in the sale of open-end investment company shares—predominately by means of so-called contractual plans. Your committee reports it as a matter of interest to members of the Association.

Federal Securities Legislation

While no bills in which the Investment Companies Committee was interested passed the first session of the 86th Congress, there were many of interest and they will be before Congress at its forthcoming session in January.

Changes in the Investment Company Act of 1940 have been proposed by the SEC in the past and new bills with substantially the same proposed changes were introduced in 1959. Your past Chairman, Mr. Charles F. Eaton, Jr., testified at public hearings on these new bills in June before the Securities Subcommittee of the Senate Banking and Currency Committee and, also, in July before the Commerce and Finance Subcommittee of the House Interstate and Foreign Commerce Committee. The position which he took on behalf of the National Association of Investment Companies, was in opposition (a) to SEC Surveillance of investment policy, and (b) to further restrictions on the groups from which eligible directors may be drawn.

An amendment to the Securities Exchange Act of 1934 has been proposed requiring disclosure of "beneficial owners" of proxies given or exercised in contested elections with respect to securities listed on a national exchange. The Committee's concern in the latter case deals primarily with the definition of "beneficial owners."

Issuance Tax

Federal tax legislation developments included a bill to correct the omnibus excise tax law of 1958 wherein the tax on issuance of investment company shares had been substantially increased. One bill has been passed by the House and will be pending before the Senate Finance Committee in January which will reduce the tax from ten cents to four cents per $100 of actual value.

Keogh-Simpson Bill

Technical changes in the Keogh-Simpson Bill (passed by the House in 1959 but held in Committee by the Senate) have been proposed by the NAIC so that, when retirement plans for the self-employed are funded with investment company shares, a bank may be permitted to act as a custodian rather than a trustee. Representative Keogh has expressed support of this change as has the Treasury Department.

Municipal Bond Fund Bills

During the past year, the municipal bond fund concept has been before Congressional Committees. Your Committee supports the principle that all regulated investment companies be permitted to make tax-exempt distributions of net income derived from holdings of municipal or other tax-exempt holdings. It is felt such tax treatment would broaden the market for state and municipal issues.

SEC Rules

In December of last year, Rule 22d-1 was adopted as a clarification of Section 22 (d) of the Investment company shares to fictitious groups of individuals at quantity discounts.

Rule 10-f3 was also adopted which will, under certain specified circumstances, permit an investment company to purchase securities during the existence of an underwriting syndicate even if persons affiliated with an investment company, or affiliated with such persons participate in the underwriting.

State Blue Sky Matters

An important development during the year was the establishment of working liaison between investment companies and the North American Securities Administrators. Three joint meetings have thus far been held and a fostering of understanding of problems and interchanging of information is hoped for as these meetings continue.

The state of California's Securities Commissioner has adopted a regulation which would require out-of-state corporations selling shares in that state to adopt cumulative voting or make prominent display in prospectuses of lack of it. This was opposed by the NAIC.

In Illinois, the Securities Commissioner was concerned with interlocking directorates wherein officers or directors of an investment company or its advisor also held positions with corporations appearing in the fund's portfolio. He has now ruled that where such a conflict may exist, the director or officer concerned must refrain from decisions concerning that particular portfolio investment.

Seminar on Investment Banking

In 1959, investment company officials met with the classes at the annual IBA seminar in Philadelphia. As in past years, the growth in interest in investment companies was evident. Among the topics covered was the relationship of investment companies to other financial institutions and the services secured by institutional investors from investment bankers.

Your Committee, meeting at White Sulphur Springs in May, voted to recommend to the Education Committee and the Board of Governors that various phases of investment company operations of interest to members of the Association be made a part of the regular curriculum for each class at future IBA seminars.

Forum on Finance

The IBA and other financial organizations participated in the ninth Forum on Finance of the Joint Committee on Education. A group of some 35 senior professors of colleges throughout the country were in attendance for three weeks in New York and, as part of the presentation, members of this Committee talked with them and provided tours of investment company offices for them.

"Story of Investment Companies"

A book with this title by Hugh Bullock, a former Governor of this Association, was published in October, 1959, by the Columbia University Press. It encompasses the history of investment companies and is the first comprehensive book on this subject published in many years.

Education Aids

On television and radio, investment company officials appeared on several programs sponsored by regional groups of the IBA—in St. Louis, Chicago and Pittsburgh. Investment companies were discussed with a view toward their better understanding by the viewing public as to their place in financial programming.

The industry now has a number of educational aids which are available to IBA members. The National Assaociation of Investment Companies has produced and has available a color cartoon, "The Hope That Jack Built," which tells the investment company story in terms of the place for their shares in financial planning. It has now been seen by over 3 million people in moving picture theaters throughout the country and its distributions via television stations, both black and white and color reproduction, is beginning.

In addition, there is a film strip narrated by John Cameron Swayze called, "Investing With A Purpose," which described investment companies in colorful cartoon panels.

A number of booklets and publications about investment companies are now available. There are general ones which explain in simple terms what investment companies are. The main one of these is "Investing Made Easy" which has sold in excess of 300,000 copies. Specialized audiences are also reached. A very well received booklet in this area was "Investment Company Shares—An Aid to Bankers and Trust Officers." Fifty thousand copies of this publication have been distributed.

Among other publications that may be of interest to you that bear on investment companies are "Seven Reasons For Investing In Mutual Funds," "The Story of Investment Funds and You." "The Mutual Fund Shareholder—A Comprehensive Study," "Shareholders of Closed-End Investment Companies," and a revised history

booklet of the NAIC since its founding in 1940.

News Coverage

You have no doubt noticed the increasing public interest in investment companies evidenced not only by the facts and figures which are presented but in the amount of newspaper and magazine coverage. Regular weekly columns on the industry now appear in six newspapers — *The San Francisco Chronicle, The Los Angeles Examiner, The New York Times, New York Herald Tribune, The World-Telegram and Sun,* and the *Los Angeles Mirror-News.* In columns devoted to general investment in these, or other newspapers, such as Sam Shulsky's coverage in the Hearst publications and William Doyle's "Daily Investor" columns, considerable space is devoted to explanations and the utilization of investment company shares.

Conclusion

The foregoing report is indicative of many—but far from all—of the significant developments in the investment company field during the past year. It suggests that the year ahead will be an unusually eventful one in this area.

Your Committee, through the diversity of the affiliation of its individual members, will endeavor to observe and report on such developments of interest to this Association and maintain close liaison with other groups in the investment field and with Federal and State regulatory authorities.

We wish to acknowledge the cooperation and assistance not only of the IBA's staff but of committees and individuals in the NASD and other securities associations.

It is clear that the stature of the investment company industry enables it to play a significant part in the growth of American share ownership and the functioning of our investment markets. And with its growth, it must accept not only the privileges but the responsibilities that go hand in hand with it. We have every confidence that investment companies will continue to play a constructive role in maintaining the integrity of the securities business.

Respectfully submitted,

INVESTMENT COMPANIES COMMITTEE

Robert E. Clark, Chairman
Calvin Bullock, Ltd.
New York, N. Y.

Herbert R. Anderson
Distributors Group, Incorporated, New York, N. Y.

Howard B. Dean
Harris, Upham & Co.
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Putnam Fund Distributors, Inc.
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Carlton P. Wilson
Robert W. Baird & Co., Incorporated, Milwaukee, Wis.

Harold H. Wylie
J. M. Dain & Co., Inc.
Minneapolis, Minn.

With Schirmer, Atherton

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Me.—Mrs. Seba O. Chase and Charles H. White have joined the staff of Schirmer, Atherton & Co., 634 Congress Street.

Joins Draper, Sears

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Samuel S. Hutchinson has become affiliated with Draper, Sears & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

Paine, Webber Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Lawrence E. Dwight has been added to the staff of Paine, Webber, Jackson & Curtis, 24 Federal Street.

With Townsend, Dabney

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Robert B. Bryant has become affiliated with Townsend, Dabney & Tyson, 30 State Street, members of the New York and Boston Stock Exchanges.

Join Di Roma, Alexik

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass.—Lawrence H. Dube, Arnold C. Hall, Thomas M. Maroney and William J. Pomeroy are now connected with Di Roma, Alexik & Co., 1387 Main Street.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb.—Robert A. Danitz has become affiliated with Merrill Lynch, Pierce, Fenner & Smith Incorporated, 305 South 17th Street.

Now With G. R. Harris

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—John M. Kennedy III has become affiliated with G. R. Harris & Co., First National Bank Building. He was formerly with J. B. Henri & Co.

With Semple, Jacobs

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Sigmond C. Selig has been added to the staff of Semple, Jacobs & Co., Inc., 711 St. Charles Street, members of the New York and Midwest Stock Exchanges.

Report of IBA Industrial Securities Committee

Hailing the subject of their research as the fifth largest and as a fast growing industry with great growth potential, a group of investment experts compile their findings of the electronics industry for the benefit of their colleagues. In their analysis they single out for attention the youth and aggressiveness of management, and the extent of research and development employed. The bankers also comment on the present market and the outlook for electronic issues.

The Industrial Securities Committee of the Investment Bankers Association, chaired by Michael Pescatello of the First National City Bank of New York, New York City, devoted itself to an analysis of the electronics industry. Not unaware of the correlation between its growth and earnings, the Committee supports its optimistic outlook conclusions for this dynamic industry where there is no monopoly on brains.


Michael Pescatello

The Report, in part, follows:

Summary and Conclusion

The industry is experiencing a very strong growth trend with a present volume in excess of $14 billion. This is not readily apparent to most people. So much of its activity is concerned with science and there are so many strange gadgets and equipment that it is difficult for the average person to realize its significance and its scope. There is a great diversity of products most of which are hidden away in black boxes or cabinets and never seen by the public, or if they are seen remain unrecognized and their function shrouded in deep mystery. A microwave antenna might possibly be mistaken for a modernized outdoor clothes line. A travelling wave tube, one of the significantly new advances in the industry, could just as well be to the unknowing a new gadget used by the hairdresser.

Electronics now accounts for about 3% of the gross national product. This percentage is expected to grow in the next five to ten years. Gross national product estimates of growth in the next ten years indicate an increase of 100%.

In broad outline the industry serves four general areas — the military field, entertainment, communications and industrial and commercial controls.

A very large part of the industry's volume is for the account of the military establishment. The basis for this business is the budget for defense expenditures which now accounts for about one-half of total Federal expenditures. This volume can and does change — in magnitude and in types and categories of products. It is very likely that the size of expenditures will not be reduced and probably will be expanded in the next several years at least. The areas in which these expenditures will be directed within the electronic industry are of considerable importance. They may be changed due to political events, because of advances in the science of electronics and by reason of changes in military strategy and plans. None of these factors can be determined with any degree of accuracy in advance. For this reason there is an element of risk present not generally found in the ordinary course of business.

The industry and most companies in it are difficult to assess accurately. The source of business varies considerably from company to company. Types of products made run into the thousands. Some are tailor made, high precision items like small gyroscopes that sell for a high price while others can be mass produced on a fast moving production line.

New developments and new products, notably missiles and transistors are having a very significant effect on the industry. The science and techniques of warfare are undergoing a profound change. Missiles are playing a key role in this change and missiles is electronics in action! The Polaris missile program of the Navy will be increased from $600 million to $1.9 billion if a recent request by that service is authorized. Transistor production is expected to reach a rate of 500 million units by 1965.

Research is playing a very great part in pushing back scientific frontiers. It is this activity along a wide area that has made possible to an important degree the many new products and advances in the industries. Expenditures are large both by industry and by the U. S. Government.

Competition is keen and is becoming more intense. A typical electronic company particularly the newer vintage derives about 85% of its volume from military orders. Probably about four cents out of each dollar of revenues is brought down to net income. A fair amount of funds is spent on research. Its products have a high labor content. The company pays no dividends; its stock sells for a high price; and the management has a large stake in the enterprise.

A problem posed for the investor is how to assess the dependability and durability of earnings derived from military sources. Small margins and fluctuating volume are part of the industry's pattern of growth. Since the industry is in a period of vigorous growth some of the factors which are important for proper investment appraisal are being obscured and perhaps even ignored. This is a phenomenon generally identified with a growth industry. The degree of confidence in the potential for expansion is justified by the demonstrated progress already made. Scientific breakthroughs and achievements represent real accomplishment. There is diligent research activity being carried on along broad lines. This is dictated by intense competition in the industry and by the Government's determination to lead and excel on a sound long-term basis in the technical field for national defense purposes. The electronic industry can truly be said to be an arm of the military.

The Electronic Industry — An Appraisal and Analysis

The Electronic Industry presently ranks fifth in the United States. It is big, it is growing fast, and it still has a great potential for growth.

During World War II, a comparatively small number of equipment manufacturers and producers of parts and components were catapulted into a position of pre-eminence making not only equipment but also scientific advances that were of high strategic value in the prosecution of war to its successful end. The industry, then, as we know it today was born out of the grim necessities of war and has been nurtured by great technical developments. In peacetime, competition has provided added stimulus to companies reaching out for the tremendous markets that have been created and that are in prospect.

In World War II, the volume of electronic equipment produced reached a figure of some $4 billion in value or more than 10 times the pre-war value of such manufacturers. Today, the industry has a dollar volume of some $14 billion. Within the next five years, this figure is expected to grow to over $20 billion.

For convenience, the electronic industry may be separated into five principal segments. The set manufacturers concentrate on the production of radios and TV sets, a branch of the industry that is extremely competitive and relies to a considerable degree on merchandising ability. This market is now almost completely saturated. The volume of sales in home radio sets, auto radios and TV sets is equal to some $1.6 billion at the present time. Electronic parts and components for use in commercial applications comprise another large section of the market now amounting to $2½ billion a year in volume. It is expected to nearly double to about $4.5 billion by 1965. These parts and components include a wide range of products. Among these are tubes, transistors, rectifiers, resistors, capacitors, coils, transformers and tuners.

Transmission and communication equipment manufacturers, producers of electronic apparatus and control devices and makers of measuring instruments, comprise the other three groups identified in the industry. The volume of business of each of these divisions is not measurable accurately because of the intermixture of certain of the groups and, particularly, because of the large volume in defense electronics. The electronic equipment manufacturers are mostly comparatively small firms which produce highly specialized equipment for the defense establishments. Hundreds of such companies have come into being in recent years. Some have achieved a high degree of technical competence. Their success is dependent not only on their productive skills but also on their ability to deal with the military authorities.

A broad view of the industry—past, present and future—in terms of dollar volume may be obtained from figures in Table I. To summarize briefly, the total volume of business has increased from $4.8 billion in 1950 to over $14 billion estimated for 1959. In the next five years, or by 1965, total volume is expected to reach $21.7 billion.

TABLE I
Electronic Industry
Dollar Volume of Business
(Million $)

	1950	Estimated 1959	Estimated 1965
Total sets & other home amusement devices	$2,351	$2,623	$3,604
Repairs and services	659	2,644	3,422
Total industrial and commercial devices	677	2,466	4,568
Total defense electronics	560	4,775	7,800
Total radio and TV broadcasting revenue	550	1,640	2,350
Total	$4,897	$14,148	$21,744

The entertainment market for electronic products has up to this year exceeded any other single market. It now represents a volume of $2.6 billion and is expected to grow by another $1 billion in the next five years. Home radio and TV sets account for some 40% of this market. In prospect is a great new market as color TV is further developed and improved

and costs reduced. Volume from this source alone is expected to increase by $300 million in the next five years. This means that some five and a quarter million color TV sets will be in use by 1965 compared to something over one-half million in use at the end of this year. There are now over 53 million TV sets in use. It is estimated that this figure will grow to 72 million by the end of 1965.

The balance of the home entertainment market is comprised of principally phonographs, tape recorders, magnetic tape and recorder and high-fi components, and now represents a market of some $776 million. This market is expected to grow to about $1.2 billion by 1965.

In the fields of health and education, the market for electronic products is growing at a rate comparable to those in other markets. Testing and measuring equipment, for example, though not confined solely to these two market areas, are expected to have a total value of some $220 million this year. This is in addition to industrial controls with a volume of $160 million. Medical and therapeutic outlets will account for a volume of $145 million this year. In this market the introduction of the electron microscope is indicative of the way in which one advance leads the way to progressively greater advances as new discoveries and techniques are utilized for new products or as aids in new developments. The electron microscope makes possible magnification up to 200,000 times greater than the original object. The best optical microscopes magnify up to 4,000 times. It is thus possible in medical research to detect viruses not heretofore possible to see.

The electronic industry as a major new industry may be compared to the infant auto and chemical industries in the 1920's and the airlines in the 1930's. There are, however, some notable differences. The number of companies engaged in the various phases of electronic activity are more than 500. Closely tied to this group are the 5,000 suppliers feeding out components and parts and servicing customers in every phase of this business activity. This is comparable to the automobile industry which, as it expanded, and as more cars were put on the highways, resulted in numerous other enterprises springing up to supply, service and supplement the automobile industry. These included part manufacturers, garages, service stations, oil company operations in every phase of production, refining and marketing and road building comprising thousands of miles of highways, bridges, etc.

Similarly, and in many directions such as broadcasting, electronics has resulted in a host of new enterprises that are still growing, creating new markets or generating additional volume of business and employment. Total radio and TV broadcasting revenues alone will amount to $1.6 billion this year. The figure is expected to increase by about 50% in the next five or six years. In the past 10 years, the number of stations has increased by almost 2,000 while revenues have trebled.

Research

Research and development is a major activity of the electronics industry. It shares with atomic energy and antibiotics the top position in the amount of effort and money being spent annually on research. This activity is probably now 10 times greater than it was 25 years ago. Expenditures for research in the electronic industry are increasing at the rate of about 10% a year. Every major company and many small ones are spending increasing amounts as the pace of competition becomes faster. The U. S. Government is allocating substantial sums for research. Last year, Federal expenditures in the electronic field for research and development amounted to $325 million. This is a major service provided by the industry. For many companies, research and development contracts are the major sustenance. Such projects related to guided missiles increased by 40% since 1957. Actual procurement increased by 4%. There are now close to 200,000 scientists and engineers engaged in various phases of research in all U. S. industry. Probably another 200,000 are involved directly in the overall research effort in more than 20,000 companies. The aircraft and electronic industry exceed other industries in research. The immensity of the effort may be gauged by the fact that in 1957 there was $7.2 billion spent for research in all industry. Of this amount, $241 million or about 3% was for basic research. In electronics alone, such research amounted to $38 million. The amount is probably considerably greater now not only because of the enlarged areas of investigations but also because of the increased costs involved in these efforts for personnel and equipment.

Military Electronics

An important characteristic of the electronic industry is the fast pace in which technical advances are being made. Another is the volume of business being done for the account of the military establishments. These factors require that companies competing in the electronic market must have a high degree of technical competence and the ability to maintain such skill as the pact of competition becomes more intensified. Since the markets are changing constantly, financial strength is a prime necessity.

For the fiscal year ended 1959 total expenditures budgeted for the department of defense amounted to $40.8 billion. This was approximately one-half of total Federal budget expenditures. In the next five years the department of defense budget expenditures are expected to increase by another $5 billion. Significantly, the space program is projected five years from now with expenditures of $1 billion compared to $153 million in the 1959 fiscal year. Electronic year represents an important part of the outlays in this program.

Research and development, to keep ahead or at least to keep up with the fast moving pack, is a requirement that has become a vital cost of doing business. More than that, however, is the growing realization that research and development to have any meaning at all is more than spending dollars and having elaborate equipment. There must be something to show for the effort otherwise the company becomes not much more than a job lot manufacturer of parts and components.

This year, for the first time, the total volume of electronic equipment used in guided missiles will exceed that used in manned aircraft. Nearly one-half of the total cost of a guided missile is for electronics. Only five years ago, 15% of procurement for military aircraft was for electronic gear.

Military electronics encompass a considerably wide range of applications. Major areas of utilization include missile systems with elaborate equipment designed for detection, guidance, navigation and telemetering; radar aerial reconnaissance; aircraft early warning and aircraft intercommunication; photographic mapping radar systems; and antisubmarine warfare. The shift in military activity is probably more evident in the pronounced change in the aircraft industry than in the ascendance of electronics. The change in the latter is equally profound, but, perhaps, not as apparent. Some 90% of the aircraft industry's volume is production for the military. This business has been in the order of $12 billion annually and has employed three-quarters of a million workers. The military plane is gradually being displaced by missiles. This displacement, however, does not mean that the airplane is obsolete and will soon disappear as an arm of the military. It does mean that its leading role is being superseded by missiles. The number of airplanes required for military purposes is going down and the types of aircraft are being reduced to a significantly important extent. Indicative of this change was the removal in September of this year of the F-108 Rapier project of the Air Force from its planned program. This interceptor plane was expected to be in use by 1965. It

Continued on page 70

Report of IBA Canadian Committee

Stating the customary case for close Canadian-American cooperation quite differently, IBA committee report on Canada warns that the future of our huge investments in Canada depends on our tariff and import policies. The committee reviews the economic outlook, breaks down capital expenditures by industries and describes conditions generally within those industries, comments on the capital market and changing trend in government, provincial and corporate financing and the sources of capital. As a result, it sees tight money continuing with more financing going to chartered banks than to investment dealers characterized by investors' reluctance to step into long-term market.

A careful tour of Canadian economic prospects of capital financing situation and of looming barrier to success of U. S. investments there is made by investment banking specialists of the Canadian scene. The Committee Chairman, Eric S. Morse of W. C. Pitfield & Co., Ltd., Montreal, concludes Committee report to IBA with recommendations as to actions that should be taken to assure steady Canadian economic growth and to maintain a favorable investment climate.

Eric S. Morse

The text of the Report follows:

The Canadian Committee hereby submits its report for the year 1958-1959. The report falls into four sections. The first is an outline of the performance of the Canadian economy over the past year; the second touches specifically on different industries and deals with capital expenditures in these industries; the third outlines developments in Government and corporate finance; and in the final section, the Committee would like to present some conclusions as to actions that should be taken to assure the steady growth of the Canadian economy and to maintain a favorable climate for investment.

I

The Canadian Economy, 1958-1959

The recent recession, as it affected Canada, hit its low point in December, 1957. Recovery was rather slow in coming and the index of industrial production remained virtually unchanged until August, 1958, when a steady upward trend became discernible. The Canadian economy has now recovered all of the decline incurred during the recession and is currently operating at a new peak level. The improvement from the December, 1957, low has amounted to about 10%. It is evident therefore that the recovery has not been as strong in Canada as in the United States just as our recession was not as severe. A levelling off in the rate of improvement is now becoming evident but this might be due, at least in part, to the effects of the steel and other strikes in the United States and Canada and to the effects of "tight" money.

II

Capital Expenditures and Industry Conditions

Now let us turn to an analysis of capital expenditures. These are of prime interest to us as Investment Bankers, or Investment Dealers as we are known in Canada, inasmuch as financing development and expansion is our business.

From the end of the war until 1957, Canadian capital expenditures increased immensely. In 1946, capital expenditures amounted to $1.7 billion—in 1957 they totalled $8.7 billion—an increase of over 400%. The increase was not only in dollar terms, but as a per cent of the Gross National Product. In 1946, capital expenditures represented some 14.2% of the Gross National Product while in 1957, they amounted to 27.4% (see Exhibit 2). In 1958, however, capital expenditures declined by 3.5% from the 1957 high. It is now anticipated that capital expenditures in 1959 will be about $8.5 billion, or only slightly below the peak 1957 level. It should be remembered, however, that several works of great magnitude, such as the Trans-Canada Pipe Line, the St. Lawrence Seaway and defense installations in northern Canada were under construction in 1957 and have now been completed. The fact that capital expenditures did not decline more in these two years is testimony to the soundness and growth prospects of the Canadian economy.

In speaking of capital expenditures in different industries, consideration must be given to conditions within these industries. A breakdown of expenditures by industries is given in Exhibit 3 of this report. Comments are made on the more important.

Natural Resource Investments

First, natural resources. Canada's mining industry has had a slightly better year in 1959 due to improved demand as a result of the general economic recovery. However, increased world-wide capacities have intensified competition for some metals and limited price improvements.

The demand for nickel fell off severely during the recession but is now rapidly improving. International Nickel is pushing its Moak Lake development to completion and the total cost of this project is expected to be about $175 million.

Uranium production has grown immensely in the last few years. In 1955, the value of uranium produced in Canada was about $26 million while in 1958, it totalled almost $275 million making uranium Canada's largest mineral export. The industry, which largely came into being at the instance of the U. S. Government, faces uncertainty after 1963 as a result of the U. S. Government's recent decision not to exercise its option to purchase Canadian uranium supplies after present contracts expire.

Canada's iron ore reserve continue to be developed rapidly, especially in the Quebec-Labrador area. Quebec-Cartier Mining Co., a wholly-owned subsidiary of United States Steel Co., has a huge development program underway, including construction of a rail line, and expects to be in production by 1961. The Iron Ore Company of Canada group of companies, in addition to their present

EXHIBIT 2

Capital Expenditures on Construction and on Machinery and Equipment
1946-1959

Year	Capital Expenditures	% of Gross National Product
1946	$1,703,000,000	14.2
1947	2,489,000,000	18.1
1948	3,175,000,000	20.3
1949	3,502,000,000	21.3
1950	3,815,000,000	21.0
1951	4,577,000,000	21.3
1952	5,285,000,000	22.7
1953	5,841,000,000	23.9
1954	5,620,000,000	23.3
1955	6,350,000,000	23.7
1956	8,024,000,000	26.6
1957	8,721,000,000	27.4
1958	8,417,000,000	25.9
1959 (a)	8,545,000,000	24.6

(a) Estimated.
SOURCE: Department of Trade and Commerce.

EXHIBIT I

ECONOMIC INDICATORS FOR CANADA

1958 and 1959

SEASONALLY ADJUSTED

		Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Gross National Product $'000,000	1958		$31,708			$32,288			$32,764			$33,276	
	1959		$34,044			$34,712							
Index of Industrial Production 1949 - 100	1958	150.8	151.6	151.3	151.0	154.4	153.3	151.8	150.3	151.0	152.2	155.1	156.8
	1959	159.5	162.0	161.2	165.4	164.8	164.6	162.6	163.3				
Corp. Profit Before Taxes $'000,000	1958		$ 2,312			$ 2,272			$ 2,456			$ 2,860	
	1959		$ 2,796			$ 2,800							
Value of Mfg. Inventories $'000,000	1958	4,097	4,037	4,026	3,993	3,970	3,945	3,931	3,927	3,916	3,890	3,880	3,903
	1959	3,928	3,956	3,953	3,974	3,976	3,990	4,006 (Prelim.)					
Retail Trade $'000,000	1958	1,261.9	1,268.7	1,273.9	1,258.8	1,252.9	1,252.3	1,254.1	1,256.3	1,246.4	1,292.8	1,321.5	1,311.3
	1959	1,329.9	1,358.3	1,330.0	1,526.1	1,330.4	1,304.3	1,324.1					
Freight Car Loadings '000	1958	330.9	307.5	309.6	317.1	320.0	330.4	309.6	289.7	313.9	314.6	304.0	327.2
	1959	322.4	307.6	317.9	336.3	306.2	341.9	321.3	303.9				
Value of Building Permits $'000,000	1958	212.4	212.4	187.5	179.6	178.1	183.4	193.1	197.2	197.1	191.7	200.1	226.2
	1959	243.5	225.7	207.4	186.5	194.9	183.1						
Total Employment '000	1958		6,105			6,151			6,116			6,196	
	1959		6,227			6,223			6,232				
Domestic Export Index 1949 - 100	1958	158.4	153.2	170.0	153.3	177.5	164.4	154.6	174.8	148.8	167.9	162.1	166.1
	1959	150.8	152.3	166.7	159.9	166.6	190.1	164.4	174.4				
Mdse. Import Index 1949 - 100	1958	186.3	185.5	191.9	180.1	188.3	188.5	179.5	176.7	186.2	193.6	206.9	196.2
	1959	201.9	197.0	199.0	203.6	209.2							

SOURCES—Dominion Bureau of Statistics and Bank of Canada.

production facilities at Knob Lake, are currently developing concessions in the Carol Lake area of Northern Quebec with production also expected to commence in 1961. In the immediate vicinity, Wabush Iron Company Limited (owned by a group of prominent United States and Canadian steel companies) has a pilot concentrate plant under construction. Other potential iron ore developments in this area are in the planning stages

Oil well drilling has fallen off sharply in the last two years (down 11% from 1957 to 1958), largely due to the loss of export markets in the United States. In 1957, capital expenditures on crude oil exploration totalled $77.3 million as against an estimated expenditure of $59.7 million in 1959. In 1958, Canadian crude oil production averaged 456,000 barrels daily, down from 497,000 barrels daily in 1957, although domestic consumption increased during this period. The natural export market for Canadian oil is in the mid-western and north-western regions of the United States, as the Borden Commission pointed out, and it stated further that Canadian oil exports to the United States should be raised substantially to off-set the effects of large imports into Eastern Canada. The Commission in its report set a target for Canadian crude oil production of 700,000 barrels daily by the end of 1960. Failure to achieve this goal could result in an extension of the present east-west pipe line system to Montreal which would exclude that important area as a market for foreign oil.

Manufacturing Developments

Among the manufacturing industries deserving comment is the forest products industry. This industry accounts for 29% in dollar value of all Canada's exports, exporting over $1.4 billion annually, of which over 30% goes to the United States. If the forecasts contained in Canada's "Gordon" Report are to be realized, substantial amounts of new capital will be required by the forest industries in future.

In recent years, the iron and steel industry has been notable for its growth and for a sizable portion of capital expenditures made by industry as a whole. Canadian steel capacity has increased from 4,657,000 net tons at the beginning of 1954 to about 6.3 million net tons in 1959. It has been estimated that steel capacity in Canada will be increased by a further eight million tons by 1980. If such is the case, it is a reasonable assumption that expenditures of about $2 billion on new plant and equipment will be necessary for a program of this magnitude. Notable among the presently proposed programs is that of Sogemines Limited and Dominion Steel and Coal Corp. to build a mill near Montreal, the first stage of which it is estimated will cost in excess of $60 million.

Amazing Utilities' Growth

The utilities field has shown an amazing growth in recent years and continues to expand to meet the needs of Canada's growing industry. Reserves of undeveloped water power are primarily in British Columbia, Quebec and Labrador. Discussion is now underway as to whether the Columbia or the Peace Rivers, or both, are to be developed in British Columbia. Expenditures of about $1 billion will be involved. In Ontario, generation of power through nuclear energy is already proposed.

The St. Lawrence River power and Seaway development took five years to complete and involved a total expenditure of $1.1 billion of which Canada's share was $650 million. Additional expenditures should result from the

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EXHIBIT 3

SUMMARY OF CAPITAL EXPENDITURES BY SECTORS

($'000,000)

1950 - 1959

	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959(a)	Total	%
Agriculture and fishing	$ 473	$ 515	$ 555	$ 546	$ 388	$ 426	$ 488	$ 481	$ 469	$ 519	$ 4,860	7.5
Forestry	34	58	39	34	46	63	76	43	33	44	470	0.7
Mining, quarrying and oil wells	119	181	211	257	278	336	542	585	362	329	3,200	4.9
Manufacturing	502	793	973	969	822	947	1,394	1,426	1,082	1,101	10,009	15.4
Utilities	720	900	1,159	1,209	1,124	1,099	1,724	2,313	2,135	1,932	14,315	22.0
Construction	71	66	73	91	97	174	200	161	133	131	1,197	1.8
Housing	845	821	826	1,084	1,178	1,499	1,575	1,415	1,781	1,728	12,752	19.6
Retail and wholesale trade	234	235	197	330	368	329	325	380	345	395	3,138	4.8
Finance, insurance and real estate	60	69	51	78	107	102	124	143	179	265	1,178	1.8
Commercial services	103	108	96	118	107	130	162	196	169	177	1,366	2.1
Institutional services	208	236	278	301	337	408	402	443	490	570	3,673	5.6
Government departments	446	595	827	824	768	837	1,012	1,135	1,239	1,354	9,037	13.8
	$3,815	$4,577	$5,285	$5,841	$5,620	$6,350	$8,024	$8,721	$8,417	$8,545	$65,195	100.0%

(a) Mid-year estimate. Source: Department of Trade and Commerce.

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construction of docking facilities, harbors, etc. The Seaway will be of inestimable value to both Canada and the United States.

The building of the Trans-Canada pipeline (2,290 miles — the longest pipeline in the world) cost $375 million. It has in turn resulted in further large expenditures on gas distribution facilities. Canadian natural gas is now available in Toronto, Montreal and other areas of Eastern Canada.

Capital Expenditures by government departments have included major expenditures on defense, including construction of the DEW (Distant Early Warning) and Mid-Canada lines in which the United States Government also participated. It is hoped that the close co-operation between Canada and the United States in the field of defense can also be achieved in the economic field.

In closing these observations on capital expenditures in various industries and conditions generally in these industries, two important facts must be stressed. The first is the large proportion of Canadian industry owned by non-residents—especially by United States investors. American investment in the Canadian economy is continuing at a high level. This investment, together with a flight of capital into Canada during 1959 as a result of our high short term rates, and heavy debt financing by governmental bodies and others in U. S money markets, are some of the factors responsible for the Canadian dollar being at its current high premium in spite of a large trade deficit. For a country in Canada's stage of development, however, capital from the United States and other foreign countries is vitally necessary for if we are to achieve the long term growth envisaged in our "Gordon" Report, capital far beyond our means to provide will be necessary. The Canadian public would like, however, to see the financial results of subsidiaries of United States companies operating in Canada. We would also recommend that Canadian investors be given further opportunities to participate in the equity of subsidiaries of United States companies operating in Canada wherever possible.

Investments' Success Depends On Exports

The second important fact is Canada's dependance on exports. Some 15% of Canada's Gross National Product is exported (see Exhibit 4) and about 60% of these exports go to the United States. Hence, the success of investment in Canada depends to a large extent on the reception of our exports.

One can make an obvious deduction from these facts. Every year the Canadian Committee has stressed the need for close co-operation between the United States and Canada. We would like to state the case somewhat differently. The United States has very sizable investments in the Canadian economy. If any investment is to be worthwhile it must be profitable and profitability depends to a large extent on the ability of Canadian industry to export its products, particularly to the United States. Hence, the future of your investments in Canada depends to a very real extent on your own tariff and import policies

III

Developments in Government and Corporate Finance

The fiscal policy of the Government of Canada during the post-war period can be summarized as budgeting for a surplus during a period of high business activity and a deficit in a time of recession. In the 12 fiscal years commencing April 1, 1946 and ending March 31, 1959, the budget showed nine surpluses and three small deficits. The National Debt was decreased by some $2\frac{1}{4}$ billion or about 16.6% between 1946 and 1952 and from then until 1957, remained about constant. However, during the 1957-1958 recession, this trend of budgetary surpluses was reversed and the Government found it necessary to implement a number of anti-recessionary measures, including marked increases in public works expenditures, to counteract a serious unemployment situation.

The effects of this program showed up clearly in Finance Minister Fleming's budget address of April 9, 1959. The estimated cash deficit for the year ended March 31, 1959 was $1,263 million and a $835 million cash deficit was forecast for the year ending March 31, 1960. The breakdown between budgetary and non-budgetary items was as follows:

	Years Ended March 31 (000 million)	
Budget deficit (including old age security fund)	$617	$435
Non-budgetary requirement	646	400
Total cash deficit	$1,263	$835

The estimated budget deficit for the year ended March 31, 1960, would have been considerably higher had not certain tax increases, estimated to bring in increased revenues of about $245 million during the current fiscal year, been instituted.

Among the tax changes announced in the budget of April 9, 1959, were:

(1) The corporation income tax and old age security were raised from a combined 47% to 50%.

(2) Personal income tax was raised in certain brackets.

(3) Excise taxes on liquor and tobacco were increased.

It should be noted that in instituting these tax increases, the Government retained the features that make the Canadian tax laws superior to those of many other countries in terms of fair treatment and stimulation of capital investment. Among these features are:

(1) No capital gains tax.

(2) The 20% dividend tax credit on domestic corporate shares and the depletion allowance.

(3) Tax conventions with other countries on income and inheritance taxes.

(4) Special inducements to non-resident owned investment companies.

The estimates contained in the 1959-1960 budget were based on a forecasted increase in the Gross National Product of about 7% for the current year. In actual fact, the economy has done somewhat better than this. GNP for the first quarter of the Government's current fiscal year was at a seasonally adjusted level of about $34.7 billion, or $7\frac{1}{2}$% higher than the same quarter of the previous year.

The Government's position in financing the deficit was greatly strengthened by the results of the Conversion Loan program of 1958. Between July and September, 1958, over $5,806 million, or 90.5% of the outstanding war-time Victory Loan Bonds, including some $2 billion of bonds maturing in 1959 and 1960, were refunded. The average maturity of the Government debt was increased from 6 years and 4 months to 10 years and 6 months.

In addition to the Government's deficit, there was the problem of maturing Government bond issues. On July 1, 1959, $500 million of $2\frac{1}{2}$% bonds matured. These were refunded in part by an offering of 1-year treasury bills and an issue of short-term bonds. Purchasers of the latter had the choice of an April 1, 1960, or a Dec. 15, 1960, maturity. A further $550 million of 3% bonds came due on Oct. 1, 1959. Of these, $225 million were already held by the Bank of Canada and various Government accounts. The balance was refinanced by a $325 million issue of Government of Canada bonds and treasury bills. Investors were offered the choice of a 1-year bond or a 3-year bond, both issues carrying a $5\frac{1}{2}$% coupon and being convertible into 16-year bonds, or a 3% one-year-seven month bond offered to yield over 6.60%. The $5\frac{1}{2}$% convertible issues were a huge success and went to a premium.

Over the past seven months, the Government's debt position has changed in the following way:

In essence, funded debt has increased by only $97 million. During the first six months of the current fiscal year the Government incurred a budgetary deficit of over $105 million compared with a budgetary deficit of over $82 million during the comparable period of the previous year. Considering that the cash deficit was probably considerably larger than the reported budgetary deficit, one might assume that the Government's cash position must be somewhat strained.

A key source of funds for the Federal Government over the past six months has been the sale of Treasury bills. In May, the Government instituted offerings of 182-day treasury bills which had the effect of considerably increasing the amount of bills outstanding. Another source of new funds was the $150 million issue of 5%

Government of Canada Securities Outstanding

	As of Nov. 4, 1959	As of April 1, 1959	Change
	(000 million)		
Treasury Bills	$2,064	$1,595	+$469
Canada Savings Bonds	2,639	2,852	— 213
All other direct & guaranteed securities	11,951	12,110	— 159
	$16,654	$16,557	+ $97

SOURCE: Bank of Canada.

Canadian National Railway bonds offered in May, 1959.

It is hoped that the 1959 Canada Savings Bond campaign, which is now being concluded, will strengthen the Government's immediate cash position. This year's issue provided an average yield of 4.98% if held the full nine years to maturity which was the highest yield offered since Canada Savings Bonds were initiated in 1946.

Short-Term Financing Unavoidable

Interest rates on Government bonds have risen steadily over the past year. We witnessed a rise in rates with a corresponding decline in bond prices that continued virtually without a break from the middle of 1958 until September 1959. During the latter part of this period, shorter term Government of Canada bonds could be purchased to yield about 6½%. Since mid-September, bond prices have improved especially in the short maturities. The general pattern of interest rates is shown clearly in Exhibit 5.

Since September, 1958, the Government has been able to place only short-term issues because of the steady decline of the bond market. Heavy chartered bank selling during 1959 together with the concentration on short maturities by the Federal Government, created a distortion of the normal yield curve with short-term bonds yielding considerably more than long-terms. In light of this, the success of the Conversion Loan in lengthening the maturity of the National Debt stands out. During and following the Conversion Loan, however, the Bank of Canada shifted its portfolio from short-term to mostly long-term issues which has brought about a substantial change in its portfolio and created a certain degree of inflexibility.

Non-Tax Exempt Municipal Financing

Now a word about provincial and municipal financing. The annual demand for funds by the provinces and municipalities has roughly doubled since 1952. These borrowings increased most notably during the last quarter of 1957 and all of 1958 (see Exhibit 7). In Canada, unlike the United States, holders of provincial and municipal bonds are not exempt from paying income tax on the interest from these bonds.

To date in 1959, there has been a marked change in the method of corporate financing in Canada. Expansion has been financed to a large extent by bank borrowing and retained earnings rather than through the sale of securities to the public. New sales of Government, municipal and corporation bonds to Nov. 9, 1959, are reported at about \$8.8 billion as compared with \$9.2 billion during the similar period last year. New corporate bond issues offered for public subscription during this period amounted to only \$286 million compared to \$657 million. There has been a greater volume of preferred and common stock issues, but this has not come close to making up the difference (see Exhibit 6). On the other hand, from January to August of this year the general loans of chartered banks increased by some 21%. (See Exhibit 8).

One result of the low volume of new corporate bond issues and the relatively large amount of Government financing has been an abnormally narrow spread in yield between Government and corporate securities.

Having dealt specifically with developments in Government, provincial and corporate finance, let us turn to the general situation. The funds to finance the capital expenditures covered at length in Section 2, can come from various sources; they can come from personal and corporate savings (including unexpended depreciation and retained earnings) from an expansion of credit and from borrowing abroad. Personal and corporate savings have been increasing but have not been sufficient to meet the full demand

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EXHIBIT 4

The Relation of Exports to Gross National Product
1950-1959

	Gross National Product	Total Exports (a)	Total Export as % of G.N.P.	% of exports going to U. S.
	(000 million)			
1950	\$18,006	\$3,118	17.3	64.8
1951	21,170	3,914	18.5	58.7
1952	23,995	4,301	17.9	53.6
1953	25,020	4,118	16.5	58.7
1954	24,871	3,881	15.6	59.5
1955	27,070	4,281	15.8	59.8
1956	30,182	4,790	15.8	58.9
1957	31,773	4,839	15.2	59.4
1958	32,509	4,831	14.8	58.5

(a) Does not include export of foreign produce.
SOURCES: Bank of Canada; Canada Year Book

EXHIBIT 5

Government of Canada Securities
Bond Prices and Yields

	3% Dec. 15, 1960		3% Sept., 1961-66		3¼% Oct. 1, 1979	
1958:	Price	Yield	Price	Yield	Price	Yield
April 30	99.60	3.16	96⅞	3.43	91	3.87
May 28	100.35	2.86	97½	3.35	92¼	3.78
June 25	99.35	3.28	94½	3.79	90¾	3.89
July 30	100.80	2.65	100.40	2.86	90	3.95
Aug. 27	100.15	2.93	99.90	3.01	88¼	4.09
Sept. 24	99.60	3.19	96	3.58	87½	4.15
Oct. 29	99.30	3.34	93¼	4.01	86	4.27
Nov. 26	97.85	4.10	91¾	4.26	85	4.35
Dec. 31	97.10	4.56	91¾	4.27	84¼	4.42
1959:						
Jan. 28	97.05	4.65	92½	4.16	84 1/16	4.44
Feb. 25	96.575	5.00	91½	4.34	82⅞	4.54
Mar. 25	96.975	4.85	90⅛	4.59	80⅞	4.72
April 29	96.875	5.02	90	4.62	80½	4.75
May 27	96.475	5.40	88⅞	4.84	79⅝	4.83
June 30	96.575	5.47	88¾	4.88	78¾	4.92
July 29	96.525	5.66	88½	4.94	79⅛	4.89
Aug. 26	96.075	6.19	87½	5.15	76⅝	5.13
Sept. 30	96.675	5.90	86¼	5.41	74⅞	5.30

SOURCE: Bank of Canada.

Bank of Canada's Holdings
(Before and After the Conversion Loan of 1958)

Date	Treasury Bills and Under 2 Years	Over 2 Years to 5 Years	Over 5 Years	Total
	(000 million)			
August, 1958	\$1,420.7	\$283.3	\$886.1	\$2,590.1
	54.9%	10.9%	34.2%	100%
September, 1959	\$554.4	361.2	1,756.0	2,671.6
	20.8%	13.5%	65.7%	100%

SOURCE: Bank of Canada.

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for funds. Let us then look at the other two sources.

Under present circumstances the financing of capital expenditures through an expansion of the money supply is inflationary. It is greatly to the credit of the Bank of Canada, and indirectly the Government, that the money supply has been successfully controlled during 1959. During 1958, a year of recession and the Conversion Loan, the money supply was increased by 11.1% Between January and November, 1959, the money supply has decreased slightly. An increased money supply as a source of funds has wisely been avoided.

The remaining source of capital, borrowing abroad, has, on the other hand, been used to a very large extent (see Exhibit 9) and most of the borrowing has been done in the United States. In addition, further large sums of foreign capital have recently been invested in Canada. The effect of this borrowing and capital inflow is that in spite of a large deficit on current account, the Canadian dollar has gone to a premium of over 5%. This in turn makes it cheaper for us to import goods from the United States but at the same time places our export industries at a serious competitive disadvantage.

To close these remarks on the Canadian capital markets, let us try to look into the future. What is the outlook for interest rates?

Let us begin with the Federal Government. By April, 1960, when the next budget is introduced, the Government could be in a position to announce that the budget will be balanced on a cash basis providing no further major spending programs are instituted and no tax cuts made. Eliminating the need for heavy Government financing could remove much of the pressure on the bond market.

Another factor to be considered is the necessity to refund maturing Government issues. To date in 1959, $1,243 million of Government bonds have matured and a further $300 million will fall due before the end of the year. At the beginning of 1959 there was some $747 million of Government bonds maturing in 1960 but by refunding 1959 maturities on a short-term basis, a further amount of about $600 million has been added to the 1960 maturities. Hence, the pressure from Government refunding issues may well be as great next year as it has been in 1959, but pressure on the bond market resulting from heavy sales by chartered banks, corporations and Government accounts should be greatly reduced. With the possible absence of this heavy selling, the yield curve should continue to assume a more normal pattern.

In the other spheres we see a persistent demand for new money. The Provinces and municipalities require additional funds. As the recovery proceeds, the needs of industry for funds to finance expansion of plant will continue. The ability of the banks to extend credit has become strained and corporations will find it necessary to seek public financing. This should tend to widen the spread in yield between Government and corporate bonds.

On balance, one cannot see a rapid lowering of yields although the pressure on Government bonds has probably passed its peak. One can, however, given certain conditions, look for a recovery of investor confidence in the bond market.

Conclusion

We in Canada have been faced with a tight money condition for over a year and this situation appears to be continuing.

Business is expanding and the demand for funds has increased sharply from all segments of the economy. Competition for the available supply of credit and capital has been intense and has been further aggravated by the necessity for the Federal Government to enter the market to finance its cash deficit at a time when the demand for funds has been increasing.

As an anti-inflationary measure, the Bank of Canada has not increased the money supply for over a year. Lenders have been hesitant to invest in other than short-term obligations partly because of fear of inflation and partly because of the sharp fall in bond prices. Against an increasing demand for capital and a limited supply of funds the inevitable result has been tight money.

While economic expansion in Canada has been accompanied by an increase in capital expenditures, we should note that a considerable portion of the financing in 1959 has been done through the chartered bank instead of the investment dealers. One reason is that in Canada the interest rate on bank loans is limited by statute to 6%. This rate ceiling obviously creates distortions in the market

EXHIBIT 6

Gross New Issues of Corporate Bonds Preferred and Common Stocks

Quarterly 1957-1959

	Bonds	Preferred Stocks	Common Stocks
1957:			
1st Quarter	366,000,000	20,000,000	82,000,000
2nd Quarter	511,000,000	17,000,000	130,000,000
3rd Quarter	137,000,000	63,000,000	158,000,000
4th Quarter	190,000,000	30,000,000	56,000,000
1958:			
1st Quarter	256,000,000	4,000,000	27,000,000
2nd Quarter	335,000,000	16,000,000	72,000,000
3rd Quarter	188,000,000	7,000,000	27,000,000
4th Quarter	166,000,000	17,000,000	142,000,000
1959:			
1st Quarter	92,000,000	20,000,000	117,000,000
2nd Quarter	129,000,000	28,000,000	128,000,000

SOURCE: Bank of Canada

EXHIBIT 7

Provincial and Municipal Financing

1957-1959

Gross New Issues

	Provincial	Municipal
1957:		
1st Quarter	189,000,000	104,000,000
2nd Quarter	194,000,000	64,000,000
3rd Quarter	108,000,000	110,000,000
4th Quarter	276,000,000	121,000,000
1958:		
1st Quarter	170,000,000	79,000,000
2nd Quarter	214,000,000	167,000,000
3rd Quarter	139,000,000	74,000,000
4th Quarter	185,000,000	196,000,000
1959:		
1st Quarter	228,000,000	99,000,000
2nd Quarter	150,000,000	113,000,000

SOURCE: Bank of Canada

for funds. Corporate borrowers have had to pay higher rates in the open market and consequently many of the larger borrowers of funds for capital expenditures have been diverted away from the investment dealers.

The question that then comes to mind is "Are the investment dealers in a position to raise the funds required?" During the past year it was apparent that confidence in debt securities suffered badly. We may now be witnessing a turn in investor confidence however, in view of the recent successful marketing of large volumes of Provincial and municipal securities although high coupons were necessary in each case to assure success. To fully restore confidence, the investing public must regain faith in the Government's ability to control the ever-present threat of inflationary pressures of which an unbalanced budget is one. Until such time as confidence has been fully restored and it is felt that the bond market has reached its low point, buyers are reluctant to step into the long-term market which is the most desirable from the point of view of sound financing.

We do not anticipate an early return to the low interest rates of former years. However, the withdrawal of the pressure of Government borrowing would do much to alleviate matters.

EXHIBIT 8

General Loans of the Chartered Banks
Monthly 1957-1959
Average of Wednesdays

	1957	1958 (000 million)	1959
January	4,073*	4,071	4,200
February	4,064*	4,044	4,216
March	4,078	4,040	4,342
April	4,130	4,075	4,499
May	4,172	4,111	4,650
June	4,216	4,146	4,821
July	4,258	4,190	4,941
August	4,278	4,139	5,086
September	4,277	4,108	
October	4,296	4,123	
November	4,260	4,130	
December	4,149	4,142	

*Not strictly comparable due to changes in valuation procedure.
SOURCE: Bank of Canada

EXHIBIT 9

The Canadian Balance of International Payments
Quarterly 1957-1959
Capital Account

	Current Account Balance	Direct Investment in Canada	Portfolios Securities (a) (000 million)	Capital Movements N.O.P.	Official Holdings of Gold and U. S. Dollars At End of Period
1957:					
First Quar.	—424	+ 98	+246	+ 80	$1,923.6
Second Quar.	—546	+155	+327	+ 64	1,941.8
Third Quar.	—201	+133	+142	— 74	1,889.9
Fourth Quar.	—253	+128	+ 48	+ 77	1,828.3
1958:					
First Quar.	—267	+ 97	+149	+ 21	1,867.7
Second Quar.	—323	+106	+239	— 22	1,921.4
Third Quar.	—198	+105	+107	— 14	1,888.2
Fourth Quar.	—297	+142	+134	+ 21	1,939.1
1959:					
First Quar.	—407	+ 85	+168	+154	1,888.3
Second Quar.	—430	+180	+126	+124	1,934.2

(a) Net sales (+) or purchases (—) by Canadians of Canadian and foreign securities (trading, new issues and retirements).
SOURCE: Dominion Bureau of Statistics.

Perhaps the most welcome statement the Government could make at the present time would be to firmly state its intention that the 1960-1961 budget will show a surplus on a cash basis. This, more than any other single factor, is what is required to restore confidence in the Canadian bond market.

Respectfully submitted,

CANADIAN COMMITTEE

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Greenshields & Co. Inc
Montreal, Canada

Arnold B. Massey
Mills, Spence & Co. Limited
Toronto, Canada

George P. Rutherford
Dominion Securities Corporation, New York, N. Y.

Opens Inv. Office

SOMERVILLE, N. J.—Clarice W. Bardsley is engaging in a securities business from offices at 5 Seville Drive under the firm name of Bardsley-Investment Service.

Merrill Lynch Heads Transitron Group

An underwriting group headed by Merrill Lynch, Pierce, Fenner & Smith Incorp. publicly offered 1,000,000 shares of common stock of Transitron Electronic Corporation at $36 per share on Dec. 11. The shares were sold for the account of two selling shareholders, who owned over 85% of the outstanding stock after the sale. No proceeds from this initial public financing will be received by the company. The offering was quickly oversubscribed.

Transitron manufactures a broad line of semi-conductors, such as transistors, diodes and rectifiers for practically every type of application. It has, however, concentrated on products for industrial, commercial and military use, with higher quality and reliability and closer tolerances than those used in the entertainment field.

Transitron carries on research and development relating to semiconductor devises, including "tunnel diodes," miscrominiature semiconductors, and advanced solar cells. It is a pioneer in the development of high temperature and high efficiency thermoelectric materials.

The company started operations in 1952. In the last five years sales have increased from $3.8 million to $30.9 million and net income after taxes from $735,817 to $6,456,138. Its plants are located in and near Boston and it has about 4,300 employees.

Outstanding capitalization of the company consists of $421,875 of subsidiaries' first mortgage notes and 7,502,500 shares of common stock.

IBA Oil and Natural Gas Committee Report

Oil and gas investment specialists find the brightest spot in the world oil, industry outlook is the prospect of increased petroleum consumption accompanying population and industrialization gains in the free world. Conceding no earnings' improvement is likely to occur for some time, the committee states the industry without its earlier glamour is still a basic industry possessing growth characteristics making it feasible to select certain individual companies which offer dynamic investment possibilities. The bankers blame intense competition, poor inventory and persistent oversupply for the industry's ills.

Investors are likely to consider oil equities less from the standpoint of growth prospects and more as income or cyclical trading media. The reasons for this statement are contained in the Oil and Natural Gas Securities Committee report presented by its Chairman, Edmond N. Morse, of Smith, Barney & Co., New York City, to the Investment Bankers Association at their Annual Meeting.

Edmond N. Morse

Below is a condensation of the Report, also verbatim extracts:

This year the Oil and Natural Gas Securities Committee of the Investment Bankers Association includes in its report various topics discussed last year in order to bring up to date the facts and conclusions of your Committee. We have also included several new subjects to stimulate thinking.

Your Committee is especially concerned with the declining interest in oil securities. The reason for this development is the inability of earnings to improve significantly even with the stimulus of the 1958-1959 industrial recovery. The problem of the oil industry, whether domestic or foreign, can be summarized in one word: oversupply, as revealed by price instability and weakness resulting, consequently, in unsatisfactory profit margins. Most of our report tells why this has occurred.

Institutional investors have been substantial sellers of oil securities this year. To date, there is no tangible evidence that this trend has abated, a factor reflected in the unfavorable price movement of oil securities. Standard & Poor's 425 Industrials appreciated 51% from the 1958 low to the 1959 high while the oil index rose only 30%.

If it is assumed that stock prices are largely a function of earnings and dividends, there is good reason for the poor performance of the oil group. To cite some figures, the oil industry showed a 25% decline in earnings in the 1957-1958 recession compared with only a 16% decline for a composite of other industrial groups. For the first half of 1959 a broad list of petroleum companies reported an increase in earnings over the first half of 1958 of 24%. This is a respectable gain, but compares poorly with the 81% increase in earnings recorded by a composite of other industrial groups. It is evident that in the past two years the oil industry suffered not only a relatively larger earnings decline, but also a smaller subsequent earnings improvement than general industry.

The gain in petroleum consumption this year has not been outstanding. However, it has been good enough to permit much better earnings than have materialized. Had oil company managements not fought for the "incremental barrel" in refining and marketing, the price level **could** have been higher with a corresponding favorable effect upon earnings.

Part of the answer lies in the nature of the industry: no one company is a large enough factor in the industry to maintain price leadership. Therefore, the industry is susceptible to intense price competition most of the time. For example, the four largest oil refiners account for 31% of domestic refining activity; while in steel, the four largest companies account for 57% of ingot production; in automobiles, the three largest account for 94% of the industry, and in tires, the four largest represent 74% of the industry. However, absence of price leadership has been characteristic of the oil industry for many years and is not a new factor.

The rest of the answer was well summed up recently by Jake Hamon, an independent producer, in a speech before the Texas Mid-Continent Oil & Gas Association. He stated, "I am going to try to get over some kind of a message on the present sad state of our industry, which is caused solely by dumbness. I am going to talk on our inventory mismanagement, because I believe that it is so serious that it is liquidating the domestic producer and the domestic producing industry."

Later, he added, "In gasoline stocks our record has been simply terrible and verges on the unbelievable. We started out 10 years ago with too much gasoline on hand, and we have continued to put more and more of it in storage until now, at the end of our high consuming season, we have 183 million barrels on hand.

Hamon noted that during the past decade gasoline consumption rose by 58% but stocks jumped 125%; kerosine demand increased 7% but stocks went up 11%; distillate demand was boosted 87% but stocks increased 103%.

He placed the blame upon the 30 largest companies, which are those companies whose equities are most widely owned by investors. There is little your committee can add to Mr. Hamon's succinct statements except that continued lack of inventory control will further reduce the attraction of oil securities and, consequently, make future oil industry financing more difficult and costly. We believe it is the responsibility of investment bankers in their contacts with oil company managements to press the fact that the investor also is greatly concerned with lack of inventory control and the industry's generally poor earnings trend.

Summary of Current Trends in The World Oil Industry

Continued growth in petroleum consumption throughout the free world is anticipated, but new sources of supply, increased competition from natural gas, and various other factors will probably maintain a weak price structure for petroleum. The need for assured market outlets for petroleum. The need for assured market outlets as well as a severe cost-price squeeze have provided the impetus for merger of a number of independent crude producers with larger integrated oil companies. From an investment standpoint much of the glamour of the early postwar period has been lost as a result of an unsatisfactory earnings record in recent years and the prospect of no near term improvement. As a result, investors in the future will increasingly regard most oil equities more as income providers or cyclical trading media than vehicles for long term growth.

* * *

The world oil industry today is faced with sizable surplus crude producing capacity. In fact, as a result of massive discoveries in the Middle East, North Africa, and other foreign areas in recent years, the ratio of known oil reserves to demand in the free world is the highest in recent history. At a recent date, free world oil reserves were estimated at 229 billion barrels, or approximately 40 times 1958 crude production of 5.7 billion barrels. New sources of supply, such as Algeria and Libya in North Africa, Argentina, Alaska, etc., are likely to increase the future world-wide crude producing capacity even more. Thus, it would appear that unless there is a serious interruption in the international flow of oil, the present condition of oversupply of crude oil is likely to continue for several years.

The world-wide oversupply of oil, as a consequence, is exerting growing pressure on crude oil and refined product prices. Earlier this year a series of crude price reductions occurred in Venezuela and the Middle East in recognition of a widespread practice of selling crude oil at discounts from posted prices. It will be recalled that during the Suez emergency Venezuelan crude prices generally were advanced 25c a barrel and those in the Middle East 15c a barrel, following price advances in the United States. A steady deterioration in refined product prices began after the Canal was reopened and normal channels of petroleum trade re-established. As a result, Venezuelan crude prices were reduced 15c a barrel in February, followed by a reduction of 18c a barrel in the Middle East. The net result of these cuts was a price differential of approximately 13c a barrel in favor of comparable Persian Gulf crude compared with pre-Suez price levels. The prevailing low level of tanker rates tended to aggravate further the competitive dis-

advantage of Venezuelan crudes. Institution of mandatory restrictions on oil imports by the United States Government last March reduced demand for foreign crudes. In early April the major producing companies in Venezuela again reduced prices—this time by 10¢ a barrel for the bulk of general purpose crudes. This action tended to bring Venezuelan crude prices more into line with those in the Middle East. It now seems reasonable to look forward to a period of relative stability in world crude prices, although the competitive atmosphere for marketing crude oil and refined products throughout the foreign free world will remain intensive for an indefinite period.

Domestic crude prices are reasonably well insulated from the pressures exerted on foreign crude prices as a result of the mandatory import control program. Periodic squeezes on domestic refiners' margins can be expected to exert pressure on the domestic crude prices from time to time. However, in view of the surplus crude producing capacity currently existing in the United States and the import umbrella which can be raised or lowered over the domestic crude producer by the United States Government, it seems highly unlikely that we shall witness much, if any, rise in domestic crude prices over the next few years. At best, any rise will do well to cover rising discovery and development costs.

The international flow of oil may be influenced in the future by several major oil provinces currently being developed. The most promising of these are in Algeria and Libya. Full-scale exploration in the Sahara region is only about four years old. In Algeria, the largest discovery to date has been made at Hassi Messaouda by SN Repal, jointly owned by the Algerian and French Governments, and by the CFPA (Cie. Francaise des Petroles en Algerie). This field is believed to cover more than 620 square miles with estimated reserves of 5 billion barrels of recoverable oil. A new 24-inch pipeline to the Mediterranean can now move 80,000 barrels a day, 190,000 barrels a day by mid-1960 and 280,000 barrels a day by 1962. In the Hassi R'Mel gas field northwest of Hassi Messaoud, reserves of some 17 trillion cubic feet have been found. Elsewhere in Algeria, other French Government-controlled companies are engaged in exploratory activity in partnership with the Royal Dutch-Shell Group and Jersey Standard.

In Libya, there has been a recent succession of widely-dispersed oil discoveries. The most significant discoveries to date have been made by an affiliate of Standard Oil Company (New Jersey). The best well flowed at the rate of 17,500 barrels daily of 37 degree gravity oil. In mid-August Esso announced another discovery 4½ miles southwest from the first yielding an approximate rate of 15,000 b/d of 39 degree gravity oil. These two wells are the largest discoveries made to date in Africa and compare with the biggest wells in the Middle East. Most of the oil companies exploring in Libya are American firms, including affiliates of Gulf Oil, Socony Mobil Oil, Standard Oil of California, Standard Oil (New Jersey), Texaco, Standard Oil (Indiana), Amerada, Continental Oil, Ohio Oil, Texas Gulf Producing and W. R. Grace. European interests include British Petroleum, Cie. Francaise des Petroles, the Royal Dutch-Shell Group and Deutsche Erdoel.

The oil and gas reserves of Algeria and Libya will have a significant impact on the international flow of oil, particularly from

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thorize an increase of $50,000,000 (from $48,000,000 to $98,000,000) in the funds for advances to public agencies under the Housing Act of 1954 for planning a reserve of public works.

A representative of the IBA testified in **opposition** to this bill at hearings before a Subcommittee of the House Committee on Banking and Currency on April 24. This bill has not been reported by the Committee.

A similar bill, S. 1955, in the Senate would authorize Federal loans to state and municipalities in an aggregate amount not to exceed $1,000,000,000 to finance the construction of **any** public facilities. No hearings have been held on this bill by the Senate Committee, and no action has been taken on it.

(b) **Federal Aid for Classroom Construction.**

Hearings were held in both the House and the Senate on bills to provide Federal aid for classroom construction in public elementary and secondary schools. Some of the bills before the committees would have authorized Federal grants on a 50-50 matching basis, some bills would have authorized Federal loans, some bills would have provided for Federal contribution in a guaranty fund to meet debt service requirements on school construction obligations and some bills would have provided grants, loans, and guaranty assistance.

The House Committee on Education and Labor reported favorably a bill that would have authorized Federal grants of $25 per student for each of the next four years, to be used for construction of classrooms or to improve pay of teachers. It was estimated that this would cost $1,100,000,000 annually. This bill is still pending before the House Rules Committee.

S. 8, to authorize Federal grants of $500,000,000 in each of the next two years with a requirement for matching state funds for assistance in the construction of elementary and secondary school facilities, was reported favorably as amended by the Senate Committee on Labor and Public Welfare.

Statements opposing Federal aid for classroom construction were submitted on behalf of the IBA to both committees.

(c) **Life Insurance Company Income Tax Act of 1959.**

A summary of the Life Insurance Company Income Tax Act of 1959 is in Appendix B.

This act requires a life insurance company to pro-rate tax-exempt interest received by it between the "policyholders' share" and the "company's share" of investment income. There was much controversy as to whether this requirement would in effect impose a tax on a portion of tax-exempt interest. Therefore, provisions were added that, if it is established in any case that the act should result in the imposition of tax on tax-exempt interest received by an insurance company, an adjustment shall be made to the extent necessary to prevent such imposition of tax. These provisions would prevent the imposition of tax on tax-exempt interest; but there is still controversy as to whether the pro-rating of tax-exempt interest between the "policyholders' share" and the "company's share" of investment income actually imposes any tax on any portion of the tax-exempt interest.

(d) **Pass-Through of Tax Exemption**

Two types of proposals have been before Congress in recent years to authorize certain corporations or investment companies to pass through tax-exempt interest in exempt-interest dividends to shareholders. In 1958 the Senate inserted in Section 42 of the Technical Amendments Tax Act of 1958 a provision to authorize a regulated investment company to pass tax-exempt interest through to shareholders in exempt-interest dividends if at least 90% of the value of its total assets is represented by cash items and obligations the interest on which is tax-exempt (and if certain other conditions are met). This section was eliminated by the Conference Committee and was not adopted.

Bills before Congress this year (H. R. 2340 and H. R. 2341) would permit a corporation (other than a bank or insurance company) to pass tax-exempt interest through to its shareholders in exempt-interest dividends if (1) at least 90% of its gross income is derived from dividends, interest, and gains from the sale or other disposition of stock or other securities and (2) less than 30% of its gross income is derived from the sale or other disposition of stock or other securities held for less than three months. No action was taken on these bills.

(e) **Denial of Tax Exemption on Housing Bonds**

Three bills introduced this year (H. R. 5096, H. R. 5164 and H. R. 5174—would deny tax exemption to interest on bonds issued in the future by public housing agencies and secured under a loan contract or by an annual contributions contract under the U. S. Housing Act. These bills were referred to the House Committee on Ways and Means, which took no action on them, but this subject is included on the agenda for the panel discussions by that Committee on public tax reform. This proposal was offered as an amendment to the proposed Housing Act of 1959 when it was debated in the House, but it was defeated by a substantial majority.

VI

Financial Information on Investment Securities Held by Banks

Concern has been expressed over numerous requests by banks, on the advice of bank examiners, for current financial information on municipal securities which they hold for investment. These requests are based primarily on a section in an Investment Securities Regulation of the Comptroller of the Currency effective Aug. 16, 1957, which reads as follows:

"All investment securities shall be supported by adequate information in the files of the bank as to their investment quality."

A copy of the complete regulation effective Aug. 16, 1957 is attached as Appendix C.

The difficulty in obtaining such information from some issuers is recognized. However, the difficulty in obtaining such financial information emphasizes the necessity for demanding that issuers of municipal bonds make available current financial information to maintain their credit position and to assure a favorable market reception and interest rate on any subsequent financing.

The Municipal Securities Committee of the IBA has repeatedly stressed the need for issuers of municipal bonds to make current financial information available and (1) has recommended use of a financial report form for general obligation bonds and for revenue bonds and (2) has recommended that municipal bond attorneys include in the trust agreement or resolution for revenue bonds a covenant that the issuer will file certain pertinent information at least annually with the principal underwriter and the principal financial reporting agencies.

VII

Municipal Industrial Bonds

This Committee has repeatedly stated its concern with the abuse of municipal credit to finance facilities exclusively or primarily for private industrial companies. Resolutions expressing concern over such financing were adopted by the IBA in 1951, by the Municipal Law Section of the American Bar Association in 1952 and by the Municipal Finance Officers Association in 1953. The IBA resolution was reaffirmed and clarified at the Spring Meeting of the IBA this year, and copies of the original resolution and the affirming and clarifying resolution are in Appendix D.

One reason for the concern about such financing is illustrated very clearly in a statement presented at the panel discussion before the House Ways and Means Committee on Nov. 24, which

urged the Committee to remove the tax exemption from any municipal bond issued to finance industrial plant construction.

VIII

Judicial Decisions and State Legislation

Appendix E contains a summary of a few of the principal judicial decisions during 1959 affecting municipal financing. Appendix F contains a summary of some of the principal state legislative developments in 1959 affecting municipal securities.

IX

Activities of Subcommittees

Separate reports will be submitted by several subcommittees, as follows:

(a) Liaison Subcommittee: Walter W. Craigie (F. W. Craigie & Co., Richmond) Chairman.

(b) Metropolitan Area Subcommittee: Alan K. Browne (Bank of America, N. T. & S. A., San Francisco) Chairman.

(c) Proxy System Subcommittee: John W. de Milhau (The Chase Manhattan Bank, New York) Chairman.

(d) Liaison With American Bridge, Tunnel and Turnpike Association, Inc.: William F. Morgan (Blyth & Co., Inc., New York) Chairman.

Respectfully submitted,
MUNICIPAL SECURITIES COMMITTEE

Walter H. Steel, Chairman
Drexel & Co.
New York, N. Y.

William M. Adams
Braun, Bosworth & Co., Incorporated, Detroit, Mich.

Taylor B. Almon
Rauscher, Pierce & Co., Inc.
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Harriman Ripley & Co., Incorporated, Philadelphia, Pa.

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Dana F. Baxter
Hayden Miller & Co.
Cleveland, Ohio

James R. Burkholder, Jr.
Almstedt Brothers
Louisville, Ky.

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Field, Richards & Co.
Cleveland, Ohio

Harold W. Clark
Clark, Landstreet & Kirkpatrick, Inc., Nashville Tenn.

John C. Clark
Wachovia Bank and Trust Company, Winston-Salem, N. C.

John W. de Milhau
The Chase Manhattan Bank
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First of Michigan Corporation
Detroit, Mich.

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Singer, Deane & Scribner
Pittsburgh, Pa.

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Folger, Nolan, Fleming-W. B. Hibbs & Co., Inc.
Washington, D. C.

W. Neal Fulkerson, Jr.
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Braun, Bosworth & Co., Incorporated, Chicago, Ill.

William G. Harding
Coffin & Burr Incorporated
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Henry L. Harris
Goldman, Sachs & Co.
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Elmer G. Hassman
A. G. Becker & Co. Incorporated
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White, Weld & Co.
New York, N. Y.

Oscar W. Hirschfeld
Stranahan, Harris & Company
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George E. Lestrange
Arthurs, Lestrange & Co.
Pittsburgh, Pa.

John M. Maxwell
The Northern Trust Company
Chicago, Ill.

Cushman McGee
R. W. Pressprich & Co.
New York, N. Y.

Beardslee B. Merrill
Richards, Merrill & Peterson, Inc., Spokane, Wash.

James F. Milhous
The First National Bank
Atlanta, Ga.

Richard Morey
A. G. Edwards & Sons
St. Louis, Mo.

William F. Morgan
Blyth & Co., Inc.
New York, N. Y.

William S. Morrison, Jr.
Harris Trust and Savings Bank
Chicago, Ill.

Donald W. Moulton
R. H. Moulton & Company
Los Angeles, Calif.

Dennis E. Murphy
The Ohio Company
Columbus, Ohio

William F. Parvin
Austin, Hart & Parvin
San Antonio, Texas

Peter V. N. Philip
W. H. Morton & Co., Incorporated, New York, N. Y.

Marsom B. Pratt
Estabrook & Co.
Boston, Mass.

Thomas L. Ray
Mercantile Trust Company
St. Louis, Mo.

J. Creighton Riepe
Alex. Brown & Sons
Baltimore, Md.

Paris Scott Russell, Jr.
Glore, Forgan & Co.
New York, N. Y.

Francis R. Schanck, Jr.
Bacon, Whipple & Co.
Chicago, Ill.

Nicolas V. Schaps
J. M. Dain & Co., Inc.
Minneapolis, Minn.

Wesley G. Schelke
Seattle-First National Bank
Seattle, Wash.

Russell E. Siefert
Stern Brothers & Co.
Kansas City, Mo.

Franklin Stockbridge
Security-First National Bank
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Fred D. Stone, Jr.
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Bernard J. Van Ingen, Jr.
B. J. Van Ingen & Co., Inc.
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Samuel L. Varnedoe
Varnedoe, Chisholm & Co., Inc.
Savannah, Ga.

Robert V. Wertheim
The Philadelphia National Bank
Philadelphia, Pa.

Brainerd H. Whitbeck
The First Boston Corporation
New York, N. Y.

Edward B. Wulbern
Pierce, Carrison, Wulbern, Inc.
Jacksonville, Fla.

G. Thomas Yeager III
Baker, Watts & Co.
Baltimore, Md.

APPENDIX A

Resolution Regarding Printing Copies of Legal Opinions on State and Municipal Bonds: Adopted Nov. 30, 1958 by the Municipal Securities Committee and Approved Dec. 4, 1958 by the Board of Governors Investment Bankers Association of America

Whereas, it is proper and commonly accepted practice in the initial sale of state and municipal bonds by the issuing body to deliver to the initial purchasers, at the time of delivery of and payment for such bonds, a manually executed copy or copies of a final, unqualified legal opinion of a recognized bond attorney whose opinions are widely and generally accepted by purchasers of such bonds;

Whereas, in subsequent transactions in such bonds it is desirable to deliver to each purchaser a copy of the legal opinion to assure that the information in such opinion is disclosed to each purchaser;

Whereas, the present practice in subsequent transactions of delivering as a separate document a certified copy of photo-offset copy of the legal opinion involves considerable work, expense and inconvenience in obtaining and storing such copies;

Whereas, the printing of a copy of the complete final legal opinion, with the name of the attorney, on the back of a state or municipal bond would disclose to purchasers of such bonds all information in the legal opinion and would materially reduce the work, expense and inconvenience of obtaining and storing additional copies of legal opinions;

Now, Therefore, Be it Resolved:

(1) That whenever possible and practical, a copy of the complete final legal opinion, with the name of the attorney, should be legibly printed on the back of municipal bonds and the copy should be certified, including a statement to the effect that the legal opinion was dated as of the date of delivery and payment of the bonds, by including with the copy of the legal opinion on the back of the bond a certification signed (with a facsimile or manual signature) by the paying agent or an official of

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the issuer to the effect that the copy is a true and correct copy of the original opinion.

(2) That in the initial sale of state and municipal bonds by the issuing body there should continue to be delivered to the initial purchasers at the time of initial delivery a manually executed copy or copies of a final unqualified legal opinion.

(3) That in subsequent transactions in such bonds good delivery may be made with either (a) a copy of the complete final legal opinion, with the name of the attorney, printed legibly on the back of the bonds, unless the purchaser of such bonds specifically requests a certified or photo-offset copy of such legal opinion or (b) a certified or photo-offset copy of the legal opinion.

APPENDIX B

Summary of Life Insurance Company Income Tax Act of 1959

This Act imposes a tax at the regular corporate rate (30% on the first $25,000 and 52% on all above $25,000) on taxable income of a life insurance company, which is composed of three parts:

(1) Taxable investment income (discussed further below).

(2) 50% of the amount by which gain from operations exceeds taxable investment income.

(3) Any part of the remaining untaxed 50% of gains from operations when distributed to shareholders, or when the company elects to be taxed thereon, or when the accumulated amount exceeds certain limitation.

The Act also imposes separately a flat 25% tax on net long-term capital gains (in excess of net short-term capital losses). Under prior law capital gains of insurance companies were not taxed.

All items of investment income are divided into the "policyholders' share" and the "company's share." The "policyholders' share" represents the part of the investment income which will be required to meet future claims of policyholders and beneficiaries. The policyholders' share of each item of investment income is exempt from tax. The company's share of tax-exempt income is also exempt from tax.

For example, where a life insurance company has $100,000 investment income, the policyholders' share is 70%, and all other deductions are ignored: (a) If there were no tax-exempt interest income, $70,000 would be deducted as the policyholders' share and the remaining $30,000 would be subject to the corporate tax rate. (b) If $10,000 of investment income were tax-exempt interest, 70% of the $90,000 of other investment income ($63,000) and 70% of the $10,000 tax-exempt interest ($7,000) would constitute the policyholders' share and would be excluded from taxable income, and the other 30% of the $10,000 tax-exempt income ($3,000) in the company's share would also be excluded from taxable income, leaving $27,000 subject to the corporate tax rate.

There was much controversy as to whether this treatment would impose tax on a portion of tax-exempt interest by pro-rating tax-exempt interest between the "policyholders' share" and the "company's share" of income. Therefore, provisions were added that, if it is established in any case that the Act would result in the imposition of tax on tax-exempt interest, an adjustment shall be made to the extent necessary to prevent such imposition of tax. There is now controversy as to whether the pro-rating of tax-exempt interest between the "policyholders' share" and the "company share" actually imposes any tax on any portion of the tax-exempt interest.

APPENDIX C

Investment Securities Regulation

Section 1—Scope and Application.

(a) This regulation is issued by the Comptroller of the Currency under authority of paragraph Seventh of Section 5136 of the Revised Statutes, as amended (12 U. S. C. 24);

(b) This regulation applies to the purchase for its own account of investment securities by a national bank or a State member bank of the Federal Reserve System.

Section 2—Definition of the Term "Investment Securities."

(a) An obligation of indebtedness which may be purchased for its own account by a national bank or State member bank of the Federal Reserve System in order to constitute an "investment security" within the meaning of paragraph Seventh of Section 5136 of the Revised Statutes, must be a marketable obligation, i.e., it must be salable under ordinary circumstances with reasonable promptness at a fair value; and except as provided in (b) and (c) below, there must be present one or both of the following characteristics:

(1) A public distribution of the securities must have been provided for or made in a manner to protect or insure the marketability of the issue; or,

(2) Other existing securities of the obligor must have such a public distribution as to protect or insure the marketability of the issue under consideration.

(b) In the case of investment securities for which a public distribution as set forth in (1) or (2) above cannot be so provided, or so made, and which are issued by established commercial or industrial businesses or enterprises, that can demonstrate the ability to service such securities, the debt evidenced thereby must mature not later than ten years after the date of issuance of the security and must be of such sound value or so secured as reasonably to assure its payment; and such securities must, by their terms, provide for the amortization of the debt evidenced thereby so that at least 75% of the principal will be extinguished by the maturity date by substantial periodic payments: Provided, that no amortization need be required for the period of the first year after the date of issuance of such securities.

(c) Special revenue obligation of States or local governments or of duly constituted public Authorities thereof which possess a high degree of credit soundness, so as to assure sale under ordinary circumstances with reasonable promptness at a fair value, but which do not meet the distribution standards of (a) (1) or (a) (2) above, may be considered to constitute "investment securities."

(d) Where the security is issued under a trust agreement, the agreement must provide for a trustee independent of the obligor, and such trustee must be a bank or trust company.

(e) All purchases of investment securities by national and State member banks for their own account must be securities "in the form of bonds, notes, and/or debentures, commonly known as investment securities"; and every transaction which is in fact such a purchase must, regardless of its form, comply with this regulation.

Section 3 — Limitations and Restrictions on Purchase of Investment Securities for Bank's Own Account.

(a) Although the bank is permitted to purchase "investment securities" for its own account for purposes of investment under the provisions of R.S. 5136 and this regulation, the bank is not permitted otherwise to participate as a principal in the marketing of securities.

(b) The statutory limitation on the amount of the "investment securities" of any one obligor or maker which may be held by the bank is to be determined on the basis of the par or face value of the securities, and not on their market value.

(c) The purchase of "investment securities" in which the investment characteristics are distinctly or predominantly speculative, or the purchase of securities which are in default, whether as to principal of interest, is prohibited.

(d) Purchase of an investment security at a price exceeding par or face value is prohibited, unless the bank shall:

(1) Provide for the regular amortization of the premium paid so that the premium shall be entirely extinguished at or before the maturity of the security (including premium) shall at no intervening date be carried at an amount in excess of that at which the obligor may legally redeem such security, unless the amortization which would be necessary to meet the latter requirement would not be allowable as a deduction from gross income under applicable Federal Internal Revenue laws and regulations issued thereunder, in which case the rate of amortization shall be sufficient to extinguish the premium by maturity; or

(2) Set up a reserve account to amortize the premium, said account to be credited periodically with an amount not less than the amount required for amortization under (1) above.

(e) Purchase of securities convertible into stock at the option of the issuer is prohibited.

(f) Purchase of securities convertible into stock at the option of the holder or with stock purchase warrants attached is prohibited if the price paid for such security is in excess of the investment value of the security itself, considered independently of the stock purchase warrants or conversion feature. If it is apparent that the price paid for an otherwise eligible security reflects the investment value of the security and does not include any speculative value based upon the presence of a stock purchase warrant or conversion option, the purchase of such security is not prohibited. If the price paid for a convertible security provides a yield reasonably similar to that of non-convertible securities of similar quality and maturity, a speculative value will not be deemed to exist.

(g) All investment securities shall be supported by adequate information in the files of the bank as to their investment quality.

Section 4 — Exception to Limitations and Restrictions.

The restrictions and limitations of this regulation do not apply to securities acquired through foreclosure on collateral, or acquired in good faith by way of compromise of a doubtful claim or to avert an apprehended loss in connection with a debt previously contracted, or to real estate securities acquired pursuant to Sec-

tion 24 of the Federal Reserve Act, as amended.

Section 5—Effective Date.

This regulation is effective Aug. 16, 1957.

RAY M. GIDNEY
Comptroller of the Currency

APPENDIX D

A Resolution Regarding Municipal Credit and Industrial Properties adopted by the Investment Bankers Association of America, Hollywood, Florida, Nov. 29, 1951.

Whereas, the legislatures in some of the states have recently enacted laws authorizing municipalities to construct or acquire manufacturing or industrial plants for the express purpose of leasing such plants to private corporations or individuals and to finance such construction or acquisition by the issuance of revenue or general obligation bonds of such municipalities payable solely or primarily from the rentals of such plants; and

Whereas, similar practices in the past have had injurious effects upon public credit; and

Whereas, if this practice is unchecked it may react to the detriment of our present system of free economy and further may ultimately endanger the valuable position of state sovereignty as a part of our constitutional dual system of government; now therefore

Be It Resolved, that the Investment Bankers Association of America in convention assembled recommends to its members and to dealers generally:

First, that each take it upon himself to become thoroughly informed on this whole development and exercise extreme caution in underwriting or marketing such bonds; and

Second, that each use his best efforts to inform voters, state legislators, prospective issuing units of local government, and other interested parties of the past experience and inherent dangers of public financing of this character.

Resolution Adopted by the Board of Governors of the Investment Bankers Association of America in May, 1959 Clarifying and Reaffirming the Resolution Regarding Municipal Credit and Industrial Properties Adopted by the Investment Bankers Association of America in November, 1951.

Whereas, the Investment Bankers Association of America in November, 1951 adopted a resolution regarding the use of municipal credit for the construction or acquisition of manufacturing or industrial facilities for lease to private corporations; and

Whereas, questions have arisen as to (1) the applicability of that resolution and (2) whether that resolution reflects the current attitude of the Association;

Now, Therefore, Be It Resolved, by the Board of Governors of the Investment Bankers Association of America, that:

(1) It is the intent to include within the scope of the resolution the issuance of bonds by municipalities to finance the construction or acquisition of land, buildings, facilities, equipment, or any combination thereof, to be leased to private interests for manufacturing, assembling, fabricating or processing articles, unless such manufacturing, assembling, fabricating or processing is merely an appurtenance to, or incidental to the development or operation of, a public facility open to use by the public; and

(2) That the original resolution, as so clarified, is hereby reaffirmed and approved.

APPENDIX E

Court Decisions — 1959

This Appendix contains summaries of some recent court decisions which are believed to be of interest to persons engaging in the municipal securities business.

CALIFORNIA

A proceeding had been taken under the Parking District Law of 1951 for the formation of a parking district within the City of Palm Springs and for the issuance of bonds to finance the cost of acquiring and improving parking lots. The City Council adopted an ordinance providing that there would be pledged to the payment of such bonds (a) the net revenues from the parking facilities acquired, (b) the net revenues from parking meters on streets within the district and (c) future revenues from the city's sale and use taxes. The California Constitution provides in Section 18 of Article XI that no city shall incur any indebtedness exceeding in any year the income and revenues of that year without the assent of two-thirds of the voters of the city voting at an election called for that purpose. The city contended that it was not necessary to hold an election for the bonds, contending that Section 18 of the Constitution applied only to debts payable from ad valorem property taxes and that the sales and use tax revenues constituted a special fund within the meaning of the "special fund doctrine" so that no obligation of the city was created within the meaning of the constitutional limitation.

In *City of Palm Springs* v. *Ringwald*, 52 A. C. 639 (1959), the Supreme Court of California held that the ordinance was invalid. The Court concluded that in order to apply the special fund doctrine the city could not be required to pay the obligations from its general funds, and that the sales and use taxes which the city proposed to pledge as security for the bonds were excise taxes that were not related to the parking district and came within the meaning of the term "general funds."

The city relied on a decision by the Supreme Court in a previous case, *City of Walnut Creek* v. *Silveira*, 47 C 2d 804 (1957), in which the Court had upheld bonds payable solely from a municipal sales tax. The city contended that the Silveira case overruled all of the prior California decisions which restricted the special fund doctrine insofar as the source of the revenue supplying the special fund was concerned. However, the Court in the Ringwald case concluded that the Silveira case was not applicable and distinguished it on the ground that the proposed bonds involved in that case had been approved by a two-thirds vote of the electors, thereby satisfying the requirement of the constitutional provision.

This decision is regarded as important in marking a reversal of a trend to create, by judicial decision, further exceptions to constitutional debt limitations.

MICHIGAN

Michigan has a 3% State sales tax, originally adopted in 1933. Article 10 of Section 23 of the Michigan Constitution, as amended in 1954, provides that "at no time shall the Legislature levy a sales tax of more than 3%." In 1959 the Legislature adopted an amendment to the Use Tax Act of 1937, and the amendment increased the use tax from 3% to 4%, subject to the provision that if the property used, stored or consumed had been in a transaction on which the 3% sales tax had been paid then the use tax should be 1% of the price of the property involved. (The 3% use tax previously in effect had been inapplicable to transactions on which the 3% sales tax was paid). It was contended that those provisions which attempt to impose an additional tax of 1% upon transactions involving the collection of the sales tax should be declared void as violating the constitutional provision against a sales tax of more than 3%.

In *Lockwood* v. *Nims, Michigan State Commissioner of Revenue, and Brown, Michigan State Treasurer* (1959), the Supreme Court of Michigan in a 7 to 2 decision concluded that the additional 1% use tax violated the constitutional provision against a sales tax of more than 3%. The Court concluded that in the actual operation of the Act the distinction between the sales tax and the use tax is eliminated by allowing the seller to collect from the purchaser a 4% tax on sales, and that the purported 1% increase in the use tax actually results in an increase in the burden sought to be limited by the Constitution. The Court emphasized that in construing the Constitution they must construe it to give it the meaning the people intended it should have; that a literal construction of the constitutional prohibition against a *sales* tax of more than 3% would make the constitutional safeguard "no more than a shabby hoax"; and that construction of the Constitution to accomplish its manifest objective and intent requires that the additional 1% use tax is in effect a tax upon retail purchases which would make the total tax burden on such purchases in excess of the 3% constitutional limit.

WEST VIRGINIA

The question was raised whether or not coupons attached to bonds issued by the West Virginia Turnpike Commission, if not paid when due, bear interest from their due dates. The Commission contended that (a) it is such an agency of the State as to be entitled to the immunity from payment of interest which is, with some exceptions, enjoyed by a State and (b) that a State is not liable for payment of interest on its debts unless its consent to do so has been manifested by an act of its Legislature or by a lawful contract of its executive officers.

In *Guaranty Trust Company of New York* v. *West Virginia Turnpike Commission* (1959) the Supreme Court of West Virginia concluded that interest is payable on the overdue interest coupons originally attached to West Virginia Turnpike Bonds at the rates specified in the bonds from the respective due dates until paid. The Court concluded that the Commission did not enjoy the State's non-liability because the Act makes it evident that the State shall not be liable for the payment of any portion of the Turnpike revenue bonds nor the interest thereon, and that a prospective purchaser charged with the knowledge of the State's non-liability on the bonds would naturally conclude that such bonds would not be curtailed in their legal nature by any sort of State immunity. The Court also concluded that certain provisions of the written trust agreement between the Commission and the Trustee constitute an express stipulation for payment of interest on overdue interest installments at the rates specified in the bonds. Therefore, the Court followed the general rule that interest coupons attached to bonds bear interest after maturity even though there is no provision in such coupons for such interest (unless the obligor shows his continued readiness and willingness to pay the sums specified in the coupons from the date of their maturity).

APPENDIX F

State Legislation — 1959

This Appendix contains summaries of some state legislation adopted in 1959 which is believed to be of interest to persons engaged in the municipal securities business.

CALIFORNIA

S. B. 1106 authorizes a program for the development of the water resources of California. This act provides for the issuance of $1,750,000,000 of bonds to finance the program; but the bond issue must be approved at the general election in November, **1960**.

A proposal in A.C.A. 44, to deny to the state the power to levy a property tax, was defeated.

A. B. 1255 permits the interchange of coupon state bonds for

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registered state bonds and registered state bonds for coupon bonds, applicable to outstanding bonds as well as bonds hereafter to be issued.

S. B. 353 requires at least one manual signature on all local district bonds, amending a 1957 act which permitted the use of all facsimile signatures on such bonds.

S. B. 576 created the Golden Gate Authority Commission to study and investigate the whole field of transportation in the Bay Area to determine the advisability of the acquisition of transportation facilities by an authority having broad powers, with the thought that coordinated operation of such facilities will be more effective than the present fragmented management.

MICHIGAN

Michigan Act No. 161 of the Public Acts of 1959 provides the "Public Securities Validation Act," an act "to avoid multiple or vexatious actions contesting the validity of the security issues of public bodies of the state of Michigan; to provide for consolidation of and injunctive relief against such actions; and to enable public bodies to secure binding adjudications against all interested parties as to the validity of security issues." This act is based upon a model form of bill endorsed by the Municipal Law Section of the American Bar Association and by the IBA. This act provides that a validating decree or judgment under it "shall be forever binding and conclusive against the public body and all other parties to the cause, named or unnamed, and shall constitute a permanent injunction against the institution by any person of any action contesting any aspect of the validity of the security issue which has been adjudicated."

NEW YORK

At the bond elections on Nov. 3, voters rejected a proposed state constitutional amendment to allow New York City to borrow $500,000,000 outside of its debt limit for school purposes. This was a highly controversial proposal, and opponents of the proposal contended that the amendment was not necessary and that the proposal was designed to permit financing for purposes other than school construction.

NEW JERSEY

At the elections on Nov. 3 there was defeated a proposal to authorize use of surplus funds of the New Jersey Turnpike to aid distressed commuter railroads. The proposal would have authorized the state to place its credit behind $430,000,000 of New Jersey Turnpike Authority bonds, provided the bondholders permitted the state to use surplus Turnpike revenue (estimated at $570,000,000 over the next 28 years) to aid commuter railroads.

OHIO

Substitute Senate Bill No. 63 reduced from 55% to 50% the percentage required for passage of a school bond issue in the November election or at the primary election in even numbered years (elections at other times requiring a 60% majority.) The percentage required for approval of an operating levy outside the 10-mile limitation for both schools and municipalities was also reduced to 50%.

Amended House Bill No. 917 raised from 1% to 1½% of the total value of all property in a municipality (as listed and assessed for taxation) the amount of net indebtedness which may be created or incurred by a municipal corporation without a vote of the electors. The net indebtedness which may be incurred with a vote of the electors was raised from 5% to 7%.

PENNSYLVANIA

Act 101 raised the taxing powers of fourth class school districts to authorize such school districts to levy ad volorem taxes on real estate *unlimited in amount* (previously school districts of the fourth class had been limited to a ceiling of a total of 45 mills, except with special permission) to pay lease rentals to authorities, to pay debt service on general obligations, and to pay teachers' salaries.

TEXAS

Senate Bill No. 349 provides a Municipal Obligation Validation Act. This act is based on the model form of bill endorsed by the Municipal Law Section of the American Bar Association and the IBA. It provides that a final bond validation decree "shall, as to all matters adjudicated, be forever binding and conclusive, against the petition and all other parties to the cause, whether mentioned in and served with said notice of the proceedings, or included in the description 'all property owners, taxpayers, citizens and others having or claiming any right, title or interest in any properties or funds to be affected by the issuance of the Securities or affected in any way thereby) and shall constitute a permanent injunction against the institution by any person of any action or proceeding contesting the validity of the bonds, notes or other evidence of indebtedness described in the petition, or the validity of provisions made for the payment of the same or of interest thereon".

Report on Metropolitan Area Problems

The Subcommittee on Metropolitan Area Problems, of which Alan K. Browne, Vice-President of the Bank of America, N. T. & S. A., is Chairman, presented the following Report to the Convention:


Alan K. Browne

Almost every medium-size and large city in the United States is confronted with the situation that it is part of a metropolitan area spreading beyond its political boundaries and that certain public facilities or services, such as transportation, water, sewer, or schools, could be provided more efficiently or economically on an area-wide basis. This situation, involving what are now generally referred to as "metropolitan area problems" has led in recent years to a large number of studies to determine solutions to these problems and in some cases to programs that are now in effect.

Three general problems which invariably must be considered are (1) the appropriate governmental unit to furnish the facility or service, (2) the division of political authority among the various governmental units within the area and (3) the means of financing the facilities or services.

By way of review, there have been four general approaches to the solution of these problems with respect to determination of the appropriate unit to furnish area-wide services:

(1) A special authority or dis-

trict to deal on a regional basis with a single or limited function such as rapid transit or water supply (for example, the New York Port Authority and the Metropolitan Water District of Southern California).

(2) A metropolitan federation organized on a regional basis as a new governmental entity, to which the various local governmental units within the area surrender their authority to deal with specified functions (for example, the Municipality of Metropolitan Toronto).

(3) A shift of specified functions to an area-wide governmental entity which encompasses the entire area (for example, Dade County, Florida).

(4) Annexation or consolidation of entities.

This report does not propose to cover all of the developments regarding metropolitan area problems, but it includes simply a summary of some of the principal developments illustrative of the problems involved and the solutions suggested.

CALIFORNIA

Governor's Commission on Metropolitan Area Problems. One of the most significant developments in dealing with Metropolitan Area Problems in California was the appointment of a 19-member Governor's Commission on Metropolitan Area Problems in March, 1959. In setting forth the purposes and responsibilities of the Commission, the Governor stated: "California's growth, occurring mainly in urban regions, has crowded our streets, overburdened our transit lines, threatened a dangerous pollution of our air, created water shortages, and led to new cost and complexity in local government. These tensions and troubles, popularly called Metropolitan Area Problems, require our earnest and immediate study."

The areas assigned to the Commission to study were more specifically outlined as follows:

(1) Transportation, Freeways, Rails and Streets

(2) Housing Redevelopment and Land Use Planning

(3) The Prevention of Air Pollution and Water Contamination

(4) Maximum Economy and Usefulness in the Handling of the Tax Dollar and in Rendering Public Services

(5) Metropolitan Governmental Structures or Districts.

The Commission has had several meetings, before which innumerable public officials have appeared setting forth their views on Metropolitan Area Problems. The staff work has been capably performed by members of the University of California Staff. Recommendations are to be submitted to the Governor as soon as possible.

Golden Gate Authority. A California Senate Interim Committee formed in 1957 and known as the Senate Interim Committee on Bay Area Problems introduced legislation this year to create a Golden Gate Authority.

Based on a Coverdale and Colpitts Report, the proposed legislation sought to combine under one Authority, the San Francisco Bay Region's bridges, seaports (including Stockton), and airports. Patterned after The Port of New York Authority concept, its backers sought to treat the Bay Region as one economic unit by eliminating costly duplication, unnecessary competition and the "Balkanizing" influence of multiple and overlapping public entities.

The legislation, as introduced, was amended six times before final passage. Through a strong desire on the part of the new Governor to see progress toward Bay Area unity and to encourage civic participation on the part of business leaders, the legislation was salvaged. Instead of creating an Authority, a chapter was literally taken out of the San Francisco Bay Area Rapid Transit history book. The revised Act creates a seven-man Golden Gate Authority Commission just recently appointed by the Governor. It is provided with $250,000 for study and is to report back to the 1961 General Session of the State Legislature. There will be an additional 14-member Advisory Council appointed by the Governor at some later date.

San Francisco Bay Area Rapid Transit District.—A brief report on the District was contained in the Committee's 1958 Report. Good progress has been made in completing the Rapid Transit plan for the five Bay Area Counties. The firm of Parsons, Brinckerhoff, Hall and Macdonald of New York and San Francisco, and the Bechtel Corporation and Tudor Engineering Company, both of San Francisco, have been employed to do the engineering work. The firms are operating as a joint venture under a $600,000 contract with completion date of the engineering planning set for May 1, 1960. They also are operating under a separate $450,000 contract in connection with studies on the trans-Bay underwater tube segment of the over-all project.

The firm of EBASCO Services, Inc. has been retained under a $50,000 contract to evaluate the economic effects of having—and not having — a regional Rapid Transit System in the Bay Area in the years ahead.

Smith, Barney & Company of New York has been retained under a $70,000 contract, to develop a plan for financing the proposed Rapid Transit System.

The California State Legislature passed a Bill authorizing $115,000,000 in San Francisco-Oakland Bay Bridge surplus tolls to finance revenue bond construction of an underwater transit tube from Oakland to San Francisco.

Alameda-Contra Costa Transit District. A recently approved general obligation bond issue (only majority vote required) in the amount of $16,500,000 spells success after a long struggle for the East Bay to salvage its urban and inter-urban bus transportation system. Based on a De Leuw Cather & Co. Report, the bond issue will provide for a network of fast bus express lines. Some $7,500,000 additional funds will be provided out of revenues for new equipment. Blyth & Co., Inc. has been employed as financial consultants.

ST. LOUIS

The Metropolitan Board of Freeholders was appointed by officials of St. Louis City and County in 1958 to study and issue recommendations on city and county problems. During the preparation of the final recommendation there was strong support for consolidation of the city and county under a single area-wide government and the dissolution of St. Louis and the suburban municipalities. However, the final proposal was for creation of a "Greater St. Louis City-County District" to provide certain public services for St. Louis, St. Louis County and the County's 98 municipalities.

The proposed District would have seven functions: establishment and control of a metropolitan road system, regulation—and possibly operation — of mass transit facilities, promotion of economic development, land use planning, central control of certain police administrative functions, civil defense, and sanitary sewers and land drainage. The present Metropolitan Sewer District, would be absorbed by the new District. Where services fall within the province of both the District and the municipalities, the purely local aspects of functions—such as non-arterial streets, local zoning, and subdivision ordinances—would remain the province of the municipalities.

The proposed District would be governed by a President, elected by City and County residents for four years, and a 15-member Board of Supervisors elected for four-year staggered terms. Four of the Supervisors, two each from City and County, would be elected at large. The other 11 would be elected from districts, four of which lie wholly in the City, three wholly in the County, and four of which include both City and County territory. The President would be empowered to appoint and remove directors of District departments, who would also serve as his "cabinet."

The entire area's future physical development, including industrial sites, recreation, transportation arteries, sewers, and residential

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areas of varying population densities would be guided by the District's Department of Planning. The Director of this Department would be an experienced professional planner.

This proposal was submitted to the voters at the November election and was defeated by a vote of about 2 to 1 in the City and 3 to 1 in the County.

WINNIPEG, CANADA

The Greater Winnipeg Investigating Commission has recommended that there be formed by legislation, without the approval of the residents by a referendum, the "Municipality of Greater Winnipeg." It is proposed that the 14 municipalities and cities now existing in the area be consolidated to form eight municipal corporations.

Greater Winnipeg would be governed by a 14-member Metropolitan Council, including the elected heads of the eight proposed constituent cities and municipalities. Six members, to be known as the Board of Control, would be elected directly from single-member districts. Each electoral district would include approximately one-sixth of the population of the City of Winnipeg, one-sixth of the population of the total area, and the total area of one of the smaller cities, or part of the area of two smaller cities. Members of the Board of Control would serve three-year terms and would receive a salary commensurate with full-time duty.

The Metropolitan Council would assume responsibility for all capital expenditures for school sites, buildings and equipment, and the financing of the cost of providing education to all public elementary and secondary pupils in line with standards to be set by the Council in consultation with the Metropolitan School Board and the Provincial Department of Education. Local school districts desiring to furnish extra accommodations could do so providing their plans were approved, and costs were met by local taxpayers. At the present time, there are 36 school districts in the Winnipeg area. The Commission's proposals reduce the number to nine, one coterminous with each municipality or city with the exception of St. Boniface, which would contain two districts. The chairmen of the nine new boards would constitute the Metropolitan School Board. This Board would supervise the budgets of the local systems and would prepare a maintenance and capital requirements budget for submission to the Metropolitan Council.

In the field of public utilities, it was recommended that the Metropolitan Council assume full responsibility for the supply and distribution of water, the provision of public transportation, the distribution of electrical energy within the Metropolitan area, and the supervision of airport facilities. These functions would be under the immediate jurisdiction of a Metropolitan Public Utilities Commission composed of seven members including the Chairman of the Metropolitan Council and six other members appointed by the Council. Under the new plan the functions of the Greater Winnipeg Water District, the Greater Winnipeg Transit Commission, and the St. James-Winnipeg Airport Commission would be assumed by the Metropolitan Council. Control of the distribution of electrical power would be accomplished through Council negotiations with the City of Winnipeg, the Manitoba Power Commission, and the Manitoba Hydro-Electric Board to the end that the Council would become the sole distributor of power in the area.

In addition, the Council would assume responsibility for area-wide sewage and drainage facilities, absorbing the functions of the present Winnipeg Sanitary District. The Council would administer a metropolitan highway system. The present functions of the Rivers and Streams Authority, the River Control Commission, and the Harbor Commission would be consolidated and placed under Council jurisdiction.

It is also proposed that the Metropolitan Council be given powers adequate to establish a system of major metropolitan parks, recreation areas, and cultural centers, including the power to take over all or any part of existing facilities.

The report recommends that traditional welfare services become a Metropolitan responsibility from the beginning but that administration be left in the hands of local councils. It is also recommended that the Council assume responsibility and jurisdiction over hospitalization of indigent patients, maintainance of neglected children, homes for the aged, the maintenance of dikes and flood control facilities, mosquito abatement, and area-wide, uniform licensing practices.

In the era of financial administration, the Commission recommends that exclusive authority for assessment be vested in the Metropolitan Council. The Council would also be authorized and required to prepare and adopt annual estimates of sums required for accomplishment of its work, and to require each local government to pay its proportionate share according to the last revised Metropolitan assessment roll.

All present bonded indebtedness (debentures) of the present municipalities and school districts would become the obligation of the Council.

Direct taxation of industrial properties, however, would be vested in the Council so that "the revenue from industrial taxation should become available to all the municipalities in the area equitably. . . ." The report also recommends that the personal property tax be replaced by a Council administered business tax. These measures were defended by the Commission as necessary "to ensure that industry will pay the same rate of taxation, regardless of its location in the area; to do away with competition as between the municipalities for the location of industry within their respective boundaries since all municipalities will be sharing equitably in such 'industrial' revenue . . . to enable the Metropolitan Authority to act as its own agent to attract industry to the area, and to locate it where it will be best suited for the area as well as its own purposes, in accordance with the over-all plan for the Metropolitan Area."

RICHMOND, VA.

The Public Administration Service has submitted to the Richmond Regional Planning and Economic Development Commission a three-step plan for regional governmental development in the Richmond area, which presently comprises the governmental units of Richmond City, Henrico County and Chesterfield County.

As a first step, the plan calls for the consolidation of the governments of Henrico County and Richmond under the City government, while Chesterfield County would remain a separate governmental entity. Step two would be a streamlined governmental organization for Henrico County with adoption of a county manager or county executive form. Step three would involve various methods of insuring inter-jurisdictional cooperation toward orderly development, including the establishment of a joint City-County Planning Commission for Richmond and Chesterfield County and special attention to regional aspects of transportation and industrial development.

CHICAGO, ILL.

The Northeastern Illinois Metropolitan Area Local Governmental Services Commission issued a report on "Metropolitan Area Services" in which it concluded not to recommend a metropolitan government for the Chicago Area. The report concluded that local governmental services in the area can best be provided by existing governments in view of the social, political, and economic factors that dominate the Metropolitan Area.

The report emphasizes that the traditional forms of local government can perform the necessary functions as well as any new governmental unit that might be formed. The report further emphasizes that, while cooperative efforts within the area are very great, there are at least three important "divisive" forces which made difficult any activity on a Metropolitan Area-wide basis, and these are: (1) The conflict in social values between the substantial non-white segment of the population in Chicago and the population of the suburban areas, (2) the problem of paying the bill, which will be financed principally by the Chicago taxpayer; and (3) the distribution of strength between the two major political parties in the City of Chicago and in the rest of the Northeastern Illinois Metropolitan Area. The report suggests that an analysis of election behavior in recent years make it inconceivable that the City of Chicago would voluntarily join with a major metropolitan ring in the creation of a governmental unit, or that the suburbs would voluntarily join Chicago.

CLEVELAND-CUYAHOGA CO.

The Cleveland Metropolitan Service Commission, popularly known as METRO, over the past $2\frac{1}{2}$ years has issued 28 reports on specific parts of its study. This year it issued its final report, "Prologue to Progress," briefly summarizing the facts and recommendations in the preceding reports. The report particularly notes the many difficulties that

arise when a multitude of small governments exist in a Metropolitan Area and states:

"While a shifting of responsibility for certain functions from the local to the metropolitan level relieves some of the pressures of fragmented government, many problems remain because some governmental units are simply too small and too poor to handle even the most simple and basic service needs of their residents. Very little can be done to meet this particular problem in Cuyahoga County — the center of this regional complex—unless the local units in the county choose to merge or to develop more intercommunity cooperative arrangements.

"Much of the area in the surrounding counties, however, is still unincorporated, with the 25 square mile townships dominating the governmental picture. It is not too late for these areas to recognize some of the problems created by the incorporation pattern in Cuyahoga County, and avoid duplicating our difficulties. Annexation and incorporation should be judiciously considered. Not only should great discretion be exercised in these matters by persons in authority, but serious consideration should also be given to modifying the laws which today make incorporation too easy, and annexation too difficult."

The report concludes that three immediate steps should be taken to develop the ways and means of coping with the problem that are apparent in the region (1) the creation of a state office for local government, (2) the establishment of a metropolitan government for Cuyahoga County and (3) the development of a seven-county coordinating and planning body.

The Cuyahoga County Charter Commission this year submitted recommendations for a new metropolitan government for the major portion of the Cleveland-Metropolitan Area. This proposal was defeated at the election on Nov. 3, but a few of its principal provisions should be noted. Municipal functions to be exclusively administered and controlled by the new government would be: sewage treatment plants and trunk sanitary and storm drainage sewers, water supply systems, metropolitan roads and highways, public assistance and poor relief programs, public transportation systems, airports, port and harbor facilities, zoos, civil defense, air and water pollution, garbage and refuse disposal facilities, and administration of metropolitan public health services. In addition, the metropolitan government would establish a regional planning agency, and a metropolitan park and recreation system.

Exercise of these powers will not restrict similar powers of the municipalities. In matters which transcend municipal boundaries, the metropolitan government may exercise power concurrently with municipalities. However, if a conflict in the exercise of powers arises, the municipality's rights would prevail regardless of whether the municipality or the metropolitan government first exercised the powers in question. When the metropolitan government and a municipality exercise a power concurrently, the consent of the municipal legislature would be necessary before the new government can acquire or succeed to municipal rights and properties. The metropolitan government's legislative body would consist of a 19-member Metropolitan Assembly. Nine of the Assemblymen will be elected at large; two each will be elected from five districts, all for four-year staggered terms. The charter would provide for a Metropolitan Executive, elected for a four-year term. The Executive could veto all Assembly ordinances and resolutions except those providing for referenda on choosing a charter commission, or proposing charter amendments, or redistricting; and may item-veto appropriation ordinances. Vetoes could be overridden by a 3/5 vote of the Assembly. The charter would strictly regulate conditions under which exclusive municipal functions may be taken over by the new government.

A constitutional amendment was proposed to the Ohio Constitution to establish a method by which federations of local governments could be formed in the metropolitan counties of Ohio. However, a technical precedural question was raised regarding the proposal and it was stricken from the ballot prior to the election on Nov. 3.

MILWAUKEE

The University of Wisconsin, working with a Ford Foundation grant, has undertaken a three-year study of possible solutions to the metropolitan problems of Milwaukee. The study will be conducted in cooperation with the Milwaukee Metropolitan Study Commission, a legislative commission which has been studying the problem.

ALBUQUERQUE, NEW MEXICO

On Oct. 6 a proposed merger of the City of Albuquerque and Bernalillo County was overwhelmingly defeated in a popular referendum. Two propositions before the voters were (1) the question of City-County consolidation in principle and (2) adoption of a charter providing for incorporation of the County as the City-County of Albuquerque. The proposals were defeated in the vote inside the city and outside the city. Opponents outside the city contended that consolidation would raise taxes and that zoning would interfere with agriculture outside the city. Opponents inside the city contended that city taxpayers would bear the cost of any expansion of municipal services in the area outside the city.

MONTREAL, CANADA

A limited form of Metropolitan Government has been created in the Montreal Metropolitan Corp., with limited authority over 15 autonomous municipalities. The new authority is empowered, with the consent of the municipalities within its jurisdiction, to establish municipal services and to make contributions for buildings and maintaining hospitals, old age and convalescent homes, and similar institutions. It will also establish a master plan for metropolitan roads and highways, and will have responsibility for civil defense in the metropolitan territory. The corporation will assume the powers of supervision over municipal finances, and complete the construction of a Trans-Island Boulevard already started by the Metropolitan Commission. Assessment rolls will continue to be prepared by the individual municipalities, however, uniformity throughout the metropolitan territory will be assured by requiring all municipalities to conform to the principles governing the preparation of the Montreal assessment roll. The original detailed proposal for metropolitan government in the Montreal area, prepared by a Consulting Committee of the Executive Committee of the City of Montreal, had called for federation of 46 municipalities under a metropolitan authority empowered to provide services such as fire, police, health, water, sewers, and city planning, and to regulate store closing hours and taxi permits throughout the area. Due to opposition by suburban municipalities, these provisions were eliminated from the bill creating the Metropolitan Corp., and its territory was limited.

PENN-JERSEY TRANSPORTATION STUDY

A survey, known as the Penn-Jersey Transportation Study, has been undertaken to survey all intra-regional facilities and services of the Philadelphia Metropolitan Area. Representatives of City and County governments will be included on the policy committee. The three-year program will develop current data concerning transportation in the region, project travel-systems needs to 1985 and prepare estimates for improvement of all facilities.

Additional Information

Since much time and effort can be saved in analyzing the metropolitan area problems of a particular area and in recommending

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solutions for those problems by reviewing the problems, proposed solutions and experiences in other areas, it is extremely helpful to have available ready reference to previous metropolitan surveys. The Government Affairs Foundation prepared, and the Public Administration Service published, "Metropolitan Surveys: A Digest" which brings together in compact summary from a digest of 117 metropolitan surveys carried out in the United States and Canada between 1923 and 1957. Copies of this publication may be obtained from Public Administration Service (1313 East 60th Street, Chicago 37, Ill.) at $8 per copy.

Finally, we urge investment bankers to take an active part in studies of metropolitan area problems in their respective areas throughout the country, so that the conclusions and recommendations in those studies will have the benefit of sound and practical financial advice.

Respectfully submitted,

SUBCOMMITTEE ON METROPOLITAN AREA PROBLEMS

Alan K. Browne, Chairman
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Francis R. Schanck, Jr.
Bacon, Whipple & Co.
Chicago, Ill.

Franklin Stockbridge
Security-First National Bank
Los Angeles, Calif.

Lyle F. Wilson
Pacific Northwest Company
Seattle, Wash.

G. Thomas Yeager III
Baker, Watts & Co.
Baltimore, Md.

Newhard, Cook Admit

ST. LOUIS, Mo.—Newhard, Cook & Co., Fourth & Olive Streets, members of the New York Stock Exchange, on Nov. 19 admit Orrin S. Wightman, Jr. to limited partnership in the firm.

Accumulation Secs.

Accumulation Growth Securities Corporation has been formed with offices at 165 Broadway, New York City, to engage in a securities business. Officers are Mathew T. Quinn, President and Treasurer, and Jeanne Maloney, Secretary.

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on the applicant to justify their issuance. The number of warrants sought to be issued, the exercisable price, the term in which they are exercisable and the absence or adequacy of a step-up rate in the exercisable price will all be taken into consideration."

Under this statement of policy a few states refuse to register any issues involving options and warrants and a few states also contend that where their laws provide percentage limitations on the amount of underwriting commission it would be impossible to determine whether the percentage limitation was met until the options or warrants were sold and the profit to the underwriter was determined. Aside from these specific problems, the statement of policy created a general assumption that options or warrants would be looked upon with great disfavor in connection with the application for registration of securities.

A special Subcommittee of the IBA State Legislation Committee was appointed this year to consider this problem under the Chairmanship of Mr. Robert Podesta (Cruttenden, Podesta & Co., Chicago). A meeting was held in Chicago on Aug. 10 to discuss this problem by representatives of the Options and Warrants Committee of the N.A.S.A., the Special Subcommittee of the IBA and attorneys and accountants.

At the Annual Meeting of the North American Securities Administrators in Atlantic City in September, the Options and Warrants Committee recommended, and the N.A.S.A. adopted a report in which it is concluded that, as standards or guides for the use of administrators in determining whether the issuance of stock options under the statement of policy is justifiable, the statement of policy be given a liberal interpretation as to options or warrants issued to underwriters in connection with a public offering if specified conditions are met. The conclusions also recommended that in those states where it is necessary to include the value of the options in the computation of commissions the market value of such options, if any, be used; and that in those states where no market value exists an arbitrary value of 20% of the original exercise price of options be used unless evidence indicates that a contrary valuation exists. The conclusions in the report of the Options and Warrants Committee, adopted by the N.A.S.A. in September, 1959, are set forth in Appendix B.

These modifications in the original statement of policy are an extremely constructive step in that they recognize affirmatively that options or warrants to underwriters are justified in connection with certain public offerings and that they should be valued at the time of issuance. We commend the work of the Special Subcommittee on this problem and the Chairman and members of the N.A.S.A. Committee on Options and Warrants for their constructive approach to the problem.

III
Variable Annuities

On March 23rd the Supreme Court of the United States held that variable annuity contracts are securities subject to registration under the federal Securities Act of 1933 and that the issuers of the contracts before the Court (Variable Annuity Life Insurance Company of America and Equity Annuity Life Insurance Company) must comply with the requirements of the federal Investment Company Act of 1940.

The Supreme Court, in holding that variable annuities are not "insurance" within the exemptions of the Securities Act of 1933 or the Investment Company Act of 1940 or within the meaning of the McCarran - Ferguson Act, stated that:

"For in common understanding 'insurance' involves a guarantee that at least some fraction of the benefits will be payable in fixed amounts (citing authorities). The companies that issue these annuities take the risk of failure. But they guarantee nothing to the annuitant except an interest in a portfolio of common stocks or other equities—an interest that has a ceiling but no floor. There is no true underwriting of risks, the one earmark of insurance as it has commonly been conceived in popular understanding and usage."

The decision was 5 to 4. Justice Douglas delivered the opinion of the Court, concurred in by Chief Justice Warren and Justice Black and, in a separate concurring opinion by Justices Brennan and Stewart. Justice Harlan was joined in a dissenting opinion by Justices Frankfurter, Clark and Whittaker.

Legislation was adopted in New Jersey this year to authorize insurance companies in that state to issue and sell variable annuity contracts.

In August, 1959, the Variable Annuity Life Insurance Company of America filed an application with the SEC for exemption from certain provisions of the federal Investment Company Act of 1940 and the rules thereunder. The S.E.C. held hearings on the application in September, but no decision had been announced at the time that this report was prepared.

It appears that there is no great rush to sell variable annuity contracts under the decision by the Supreme Court requiring compliance with the federal Securities Act of 1933 and the federal Investment Company Act of 1940.

IV
Gifts to Minors

The Uniform Gifts to Minors Act or the Model Act For Gifts to Minors has now been adopted in all of the 50 states. Tax rulings regarding the application of the federal gift, income and estate taxes with respect to gifts under the Gifts to Minors Acts were summarized in the last Annual Report of this Committee. The Internal Revenue Service was requested to clarify its position on the rulings and recently issued Revenue Ruling 59-357 which concludes (substantially in accord with the previous rulings):

(a) Any transfer of property to a minor under the Model or Uniform Act constitutes a completed gift for federal gift tax purposes to the extent of the full fair market value of the property transferred, and such a gift qualified for the annual gift tax exclusion ($3,000 for a single person, $6,000 for a married couple).

(b) Income derived from property transferred under the Uniform or Model Act which is used in the discharge or satisfaction, in whole or in part, of a legal obligation of any person to support or maintain the minor donee is taxable to such person to the extent so used, but is otherwise taxable to the minor donee.

(c) The value of property transferred under the Uniform or Model Act is includible in the gross estate of the donor for federal estate tax pur-

poses if (1) the property is given in contemplation of death within three years of the donor's death or (2) the donor appoints himself custodian and dies while serving in that capacity. In all other circumstances custodial property is includible only in the gross estates of the donee.

V
Cooperation With State Securities Administrators

Representatives of the IBA again attended the Annual Meeting of the North American Securities Administrators in Atlantic City in September.

Much of the work reported above in this report reflects the close assistance and cooperation of various states securities administrators, and this Committee wishes to take this opportunity to express its appreciation for the constructive work that has been done through such assistance and cooperation. We also want particularly to express our appreciation to Mr. William King, Securities Commissioner of Texas, who is Chairman of the IBA Liaison Committee of the N.A.S.A.

Suggestions

The Committee would welcome suggestions as to how it can function more effectively and be of greater service. We urge that all Group legislation committees keep IBA Counsel advised of any developments in state legislation in their areas and to plan their legislative programs well in advance of sessions of the Legislature.

Respectfully submitted,

STATE LEGISLATION COMMITTEE

APPENDIX A

Summary of amendments to State Blue Sky Laws in 1959

ALABAMA

The Uniform State Securities Act, with several modifications, was adopted.

ALASKA

A Securities act was adopted in Alaska effective May 9, 1959, based on the Uniform State Securities Act, providing (1) anti-fraud provisions and (2) for registration of broker-dealers, agents and investment advisors. The act does not require the registration of securities.

ARKANSAS

The Uniform State Securities Act, with a few modifications, was adopted effective July 1, 1959.

CALIFORNIA

The California Corporate Securities Law was amended effective July 1, 1959; (a) to increase the fee for filing applications for a broker's certificate; (b) to increase the fee for permits to issue securities; and (c) to impose a new fee to $100 for filing any prospectus or registration statement except in connection with an application for a permit or in connection with securities for which a permit has been issued.

COLORADO

A new Section 125-1-20 was added to the Colorado Securities Act, effective May 15, 1959, to authorize the Commissioner to issue a stop order suspending or revoking a registration statement if he finds after notice and hearing that the registration statement, offering circular, or sales literature of the registrants contains any statement which is false or misleading with respect to any material fact.

An amendment to Subdivision 6 of Section 125-1-15 imposed restrictions on the exemption for securities of a concern which has been continuously in business in the state for more than 20 years and which holds first mortgages on real estate located in the state.

CONNECTICUT

The Connecticut Securities Act was amended effective June 29, 1959, and the principal changes were the following:

(1) Section 36-280 was amended to authorize the Commissioner to refuse to register a broker or dealer if he finds that the financial responsibility, business experience or character of such broker or dealer is not satisfactory.

(2) Section 36-285, which previously required each broker or dealer to keep books and records in form and manner satisfactory to the Commissioner, was amended to require the keeping of such books and records "as the Commissioner may require."

(3) Section 36-311, requiring each issuer to whom a permit has been granted (the Connecticut Act requires registration of only mining and oil securities) to file a statement of assets and liabilities, was amended to eliminate a requirement that such statements be subscribed and sworn to before a notary public and be accompanied by a sworn certificate from a certified public accountant.

(4) A new section was added to prescribe the liabilities of persons who sell in violation of the act.

A separate provision of law relating to injunctions and punishment for untrue and misleading advertising of merchandise, real estate and securities, was expanded to include advertising by still or motion pictures, loud speakers, radio and television. The fine for violations under this section was reduced from $500 to $250.

FLORIDA

Amendments to the Florida Securities Act effective June 10, 1959, included the following principal changes:

(1) Section 517.03 was amended to authorize the Commission to make, adopt, and promulgate all rules and regulations necessary for carrying out its duties.

(2) Subdivision 15 of Section 517.06 was amended to eliminate a requirement for written notice to the Commission with respect to transactions exempt under Subdivision 9 (relating to exchanges or conversions) or under Subdivision 12 (relating to sales by the issuer of certain public utility securities).

(3) Subdivision 7 of Section 517.09, relating to registration of securities by qualification, was amended to require the Commission to find in addition to other requirements that "the terms of

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sale of such securities would be fair, just and equitable."

(4) Section 517.091 was amended to provide that securities registered by notification or qualification under the act shall become eligible for trading in the secondary market at current market prices upon completion of the original offering when such securities are outstanding and in the hands of the public.

(5) Subdivision 4 of Section 517.12 was amended to require persons applying for a dealer's license to show financial responsibility.

GEORGIA

The Georgia Securities Act was amended effective March 2, 1959, and the principal changes were the following:

(1) The definition of "salesman" in Section 1(g) was amended by adding a provision that the partners or executive officers of a dealer residing in the state or engaged in the sale of securities in the state, and the partners or other executive officers of an issuer offering securities for sale solely within the state, shall be deemed to be salesmen within the meaning of the definition.

(2) Section 4 of the act, relating to the registration of salesmen and dealers, was amended by adding thereto a new subsection to require that licensed dealers must file with the Commisioner good bond with adequate security in the sum of $10,000 and that licensed salesmen must file such bond in the sum of $1,000, such bond payable to the state for the use of any interested person and conditioned upon the faithful compliance by the principal with the provisions of the act and the regulations and orders thereunder.

(3) Section 3 of the act, relating to the registration of securities, was amended by adding thereto a new subsection (b) to provide that no securities shall be registered by or for the account of the issuer thereof until the issuer first files with the Commissioner a $10,000 bond, unless such securities have been registered under any appropriate Federal law, or the transaction is an exempt transaction thereunder or under any provision of the Georgia Act.

(4) Section 4(d), relating to the record and renewal of registration, was amended to provide that, upon any change in the proprietors, partners, officers or directors of a dealer or issuer, such dealer or issuer shall promptly notify the Commissioner in writing of such changes within 15 days thereafter.

(5) Section 7, relating to revocation and suspension of registration of dealers and salesmen, was amended to provide that, where the Commissioner deems the danger to the public to be imminent, he may temporarily suspend the registration of a limited dealer, salesman or limited salesman prior to any hearing, such order to expire automatically if the Commissioner fails to afford hearing to the registrant within 10 days after receipt of demand for such hearing.

(6) Section 8, relating to hearings, was amended to provide that the Commissioner must send a notice of opportunity for hearing after entering any order of revocation or suspension of registration of a dealer or salesman.

(7) A new Section 8A was added to authorize the Commissioner to hold general investigative hearings on his own motion with respect to any matter under the act.

(8) Section 14, providing criminal penalties for willful violation of the act or for engaging in any act declared to be unlawful, was amended to make such violations a felony rather than a misdemeanor, to eliminate a provision that the fine for first offense shall be not more than $500 (leaving the provision that the fine shall be not more than $5,000), and to strike a provision that imprisonment for violation shall be for not more than one year and substituting therefor a provision that imprisonment shall be for not less than one year and not more than five years.

(9) A new Section 3A was added to provide that no securities required to be registered under the act shall be sold or offered for sale unless accompanied by an offering circular or prospectus, and to provide that any securities issued by an issuer which has not been in continuous operation for a period of at least two years shall be deemed speculative securities and shall not be registered, sold or offered unless the offering circular declares in prominent and conspicuous language that "These are speculative securities," except that such declaration shall not be required if the securities have been registered under the provision of any applicable Federal law. This section also provides that any speculative securities issued to officers, agents, employees, salesmen or promoters at less than the price offered to the public or for any consideration other than cash shall be placed in escrow for a period at the discretion of the Commissioner not to exceed two years but this provision does not apply to the issuance or transfer of securities to registered dealers having unimpaired capital in excess of $25,000 who have purchased such securities pursuant to a firm underwriting commitment.

(10) A new Subdivision (6) was added to Section 4(b) to provide that no applicant shall be licensed as a salseman, nor any such license renewed, unless such person has first passed a written examination administered by the Commissioner, or unless such applicant presents proof satisfactory to the Commissioner showing that he has previously passed a similar examination conducted by the NASD, the New York Stock Exchange, or any other examination substantially similar to that given by the Commissioner.

(11) Section 6H, providing an exemption for secondary market sales by registered dealers, was amended to add a requirement that specified information regarding the securities be available in either Moody's, Best's, Standard & Poor's or Fitch securities manuals, or any other recognized securities manuals approved by the Commissioner.

INDIANA

Section 11 of the Indiana Securities Act was amended effective May 1, 1959, to add provisions that every application for registration as a dealer shall be accompanied by:

(1) a financial statement which shall accurately reflect the net worth of the applicant and

(2) a corporate surety bond in the sum of $25,000 by a surety company authorized to do business in the state, conditioned upon faithful accounting of all securities entrusted to such registrant, and filed in the office of the Secretary of State and approved by the Secretary of State before filed; but all brokers or dealers who are either members of an exchange registered with the Securities and Exchange Commission or are members of the NASD shall be exempt from furnishing the bond.

IOWA

Amendments to the Iowa Securities Act effective July 4, 1959, made the following principal changes:

(1) The definition of "sale" in Subdivision (3) of Section 502.3 was amended to distinguish an "offer" from a "sale."

(2) The definition of "dealer" in Subdivision (4) of Section 502.3 was amended to exclude purchasers of securities from the issuer thereof.

(3) In Subdivision (1) of Section 502.4 provision was added to exempt securities issued by, or the principal and interest of which are guaranteed by, the Dominion of Canada or any province thereof, or any political subdivision, or by any agency controlled or supervised by and acting as an instrumentality of any of the foregoing.

(4) Subdivision (3) of Section 502.4 was amended to change the standards for eligibility for exemption from registration for securities of railroads or other public service utilities.

(5) In Subdivision (4) of Section 502.4 a provision was added to exempt from registration securities issued by corporations organized exclusively for religious purposes.

(6) Subdivision (8) of Section 502.4, exempting common stock outstanding for a period of not less than five years, except common stock registered with the SEC during the five years preceding the sale, was amended by striking the exception.

(7) Subdivision (4) of Section 502.5 was amended (a) to make it clear that the exemption for transactions with existing security holders includes holders of convertible securities, non-transferable warrants or transferable warrants exercisable within 90 days and (b) to except a standby commission from the condition that no commission or remuneration be paid or given in transac-

tions exempt under the subdivision.

(8) Subdivision (12) of Section 502.5 was amended to exempt any offer or sale by registered dealers of an outstanding security at a price reasonably related to the current market price if specified in formation about the issuer is published in a recognized manual of securities (the amendment also eliminated a provision that the exemption does not apply to shares outstanding not less than three years or registered with the SEC during the preceding three years).

(9) A new Subdivision (13) was added to Section 502.5 to exempt any transaction by a registered dealer, not directly or indirectly for the benefit of the issuer, pursuant to an unsolicited order or offer to buy (but the Commissioner may by rule require that customers acknowledge upon a specified form that the transaction was unsolicited and that a signed copy of the form be preserved by the dealer for a specified period).

(10) A new Subdivision (14) was added to Section 502.5 to exempt any offer (but not a sale) of a security for which a registration statement has been filed under the Federal Securities Act of 1933 and an application for registration has been filed under the Iowa Act (if no stop order or refusal order is in effect and no public proceeding or examination looking toward such an order is pending under either act).

(11) Section 502.7 was amended to authorize the registration of securities meeting specified requirements by a simplified procedure of registration by notification.

(12) Section 502.11 was amended to increase the fee for registration and renewal of registration from $25 to $50 for dealers and from $3 to $5 for salesmen.

KANSAS

Section 10 (exempt securities) of the Kansas Securities Act was amended effective April 1, 1959:

(1) to insert in Subsection (h) a provision exempting securities issued for fire-protection or fire-fighting purposes.

(2) to insert in Subsection (i), exempting commercial paper, a proviso that the exemption shall not apply to investment certificates or thrift notes sold or offered for sale to the public by loan or investment companies.

(3) to include in Subsection (j) a provision to exempt any investment contract issued in connection with a self-employed person's retirement plan (if the commission is notified in writing 30 days before the inception of the plan).

MINNESOTA

Section 80.06 of the Minnesota Securities Act (exempt transactions) was amended effective April 17, 1959, to exempt sales by licensed dealers or brokers of securities theretofore sold and distributed to the public if such securities are sold at prices reasonably related to current market prices of such securities, specified information is available in Moody's, Fitch's or Standard and Poor's securities manuals or other recognized securities manuals approved by the Commissioner, and the securities meet certain other requirements.

NEBRASKA

Section 81-348 of the Nebraska Securities Act was amended effective Feb. 24, 1959, to extend from three to five years the period within which a purchaser of securities may enforce the liability of a broker or salesman who has sold such securities without a license.

NEW MEXICO

The New Mexico Securities Act was amended effective June 12, 1959, to re-enact the sections to split them into shorter sections and to provide the following changes:

(1) Provisions requiring the filing of a consent to service of process as prescribed by Section 48-18-28 were inserted as Subsection (J) of Section 48-18-19.2 relating to registration by notification, in Subsection (F) of Section 48-18-19.4 relating to registration by coordination and in Subsection (R) of Section 48-18-19.6 relating to registration by qualification.

(2) In Section 48-18-19.10 the maximum fee for registration of securities was increased from $200 to $400.

(3) The provision which previously authorized the Commissioner to require a dealer to have a minimum capital was amended (a) to require in Section 48-18-20.2 that the minimum capital shall not be less than $5,000; (b) to require in Section 48-18-20.3 that each dealer shall post a surety bond in an amount required by the Commissioner, not less than $10,000 nor more than $100,000, and providing that in determining the amount of bond the Commissioner shall take into account the risk to which the public is exposed, the capital, and the ratio between net capital and aggregate indebtedness of the dealer.

(4) A provision was added that applicants for registration as salesmen, unless employed by a dealer who has posted a bond, shall post a corporate surety bond in the amount of $5,000.

(5) In Section 48-18-20.14 the registration fees were changed:

(a) to $100 for original registration and $50 for renewal of registration of dealers (previously $30 to $50 depending on the number of salesmen employed).

(b) to $10 for registration of a salesmen, or $20 if an examination is required (previously $10).

(c) to $50 for original registration

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and $20 for renewal of registration of investment advisors (previously $30).

(6) InSection 48-18-22 (exempt transactions) a new Subsection J was added to exempt the issuance and sale by a New Mexico Corporation of its securities if the number of security holders will not exceed 25, or if the aggregate amount raised (including prior sales) does not exceed $50,000 if the seller reasonably believes that all buyers are purchasing for investment and no commission or other remuneration is paid for soliciting any prospective buyer.

(7) Section 48-18-32 was amended to increase the maximum criminal penalty from one to three years imprisonment.

HAWAII

Amendments to the Hawaii Securities Act effective May 21, 1959, included the following principal changes:

(1) In Subsection (e) of Section 199-4, exempting securities issued by insurance companies, an amendment excludes from the exemption annuity contracts, investment contracts or similar securities under which the promised payments are not fixed in dollars but are substantially dependent upon the investment results of a segregated fund or account invested in securities.

(2) Section 199-4 (exempt securities) and Section 199-5 (exempt transactions) were amended to provide that the exempt securities and exempt transactions described therein are exempt only from the requirements of registration of securities and for the filing of advertising (however, persons who engage only in certain types of transactions are by exemption excepted from the definition of "salesman" and "dealer").

NEW YORK

The principal changes to the New York Blue Sky Law in amendments effective Oct. 1, 1959, are the following:

(1) Section 359-e was amended so that (a) brokers and salesmen, as well as dealers, must file registration statements (this requirement previously applied only to dealers) if they offer, sell or purchase to or from the public within or from this state; (b) registration of brokers, dealers and salesmen shall be for periods of 4 years commencing Jan. 5, 1960, (registration previously was for an indefinite period); (c) all registration statements filed pursuant to prior provisions of law shall remain in effect until Jan. 5, 1960; (d) there is imposed a fee of $25 for each broker-dealer plus $2 for each partner, officer, director or principal, $5 for each saleman's statement and $5 for each supplemental statement, such fees to cover a 4-year period and to apply on original statements and on renewal; and (e) every partner, officer, director or principal who is named as such in a broker-dealer statement and who shall act as a salesman for such broker or dealer shall not be required to register as a salesman.

(2) Section 359-f (2), authorizing the Attorney General upon application to exempt from the requirements for filing a "state notice" and a dealer's registration statement persons who are a "dealer" solely by reason of transactions in specified classes of securities, was amended to authorize the Attorney General also to except (a) under Subdivision (d) securities which are to be sold in a limited offering to not more than 40 persons (and the Attorney General may grant an exception for offering to more than 40 persons when he deems such an exception within the purpose of this subdivision) and (b) under Subdivision (e) securities issued in connection with an employees' stock purchase, savings pension, profit-sharing, or similar benefit plan.

NORTH CAROLINA

Section 78-19 of the North Carolina Securities Act was amended effective June 19, 1959, to require that every applicant for registration as a dealer or for renewal of such registration shall be required to be registered as a dealer with the SEC, as a prerequisite to registration in North Carolina, except persons dealing exclusively in bonds of the United States and its states and municipalities.

An amendment to Section 78-4 of the act added a new Subdivision 13 to exempt:

"(13) The offer or sale by a domestic corporation of securities issued by such corporation (a) organized for the purpose of promoting community agricultural or industrial development of the area in which its principal office is located and (b) approved by resolution of the county commissioners of the county in which its principal office is located, and if located in a municipality or within two miles of the boundaries thereof, by resolution of the governing body of such municipality, and (c) no commissions or other remuneration is paid or given for or in connection with the sale or other disposition of such securities."

NORTH DAKOTA

Amendments to the North Dakota Securities Act, effective July 1, 1959, included the following principal changes:

(1) Subdivision 3 of Section 10-0405, which previously exempted securities issued by an insurance company subject to supervision by an agency of the State of North Dakota, was amended to exempt only policy contracts of such companies.

(2) Subdivision 8 of Section 10-0406, exempting sales by registered dealers of securities theretofore sold and distributed to the public, was amended to impose additional conditions, including a requirement that specified information be available in Moody's Fitch's, or Standard and Poor's security manual or any other recognized manual approved by the Commissioner.

(3) Section 10-0408 was amended to require the filing of additional information in registering securities by qualification.

(4) Section 10-04081, providing the grounds for denying registration of securities, was amended to provide additional grounds for denying registration of securities and to provide additional authority to the Commissioner with respect to the registration of securities.

(5) A new Section 10-04082 was added to provide that no advertising matter pertaining to any securities registered under the act shall be published or circulated until approved by the Commissioner.

(6) Section 10-0410, relating to the registration of dealers, was amended to provide that the Commissioner shall require an individual bond or a deposit of cash or other properties in such amount as he shall deem necessary to protect purchasers when there is taken into consideration the volume of business engaged in by the applicant and the number of salesmen employed by the applicant.

(7) Section 10-0411, relating to the suspension or revocation of registration of dealers, salesmen and investment counselors, was amended to add in Subdivisions 6 through 11 additional grounds for such action and to authorize the Commissioner to require any registered dealer, salesman or investment counselor to make and keep such accounts, correspondence memorandum, papers, books and other records as he deems necessary.

(8) Section 10-04121 creates a Board of Review, composed of the Attorney General, the Secretary of State and the Manager of Banking of North Dakota, which shall consider appeals from final orders by the Securities Commissioner.

(9) Section 10-0415 was amended to expand the definition of fraudulent practices. Section 10-0418 was amended to change the criminal penalty to a fine or imprisonment for not less than 3 months nor more than 5 years (previously imprisonment was for not more than one year).

OKLAHOMA

The Uniform State Securities Act, with modifications, was adopted in Oklahoma effective July 17, 1959.

OREGON

Section 59.200 of the Oregon Securities Act (relating to the registration of securities in the hands of the public or issued by stock split up or stock dividend) was amended effective Aug. 5, 1959, to make clarifying changes and to provide maximum registration fee of $500 in connection with such registration.

RHODE ISLAND

An amendment to Section 7-11-2 of the Rhode Island Securities Act, effective Oct. 1, 1959, provided that the Director shall require any applicant for registration as a broker or salesman to submit to a written or oral examination, or both, "to show the applicant's knowledge of reading, writing, spelling, elementary arithmetic and securities in general."

An amendment to Section 7-11-12 raised the fee for registration of brokers and dealers from $25 to $100 for original registration and $75 for the renewal, and raised the fee for registration of a salesman from $2 to $10 for original registration and $5 for renewal.

SOUTH DAKOTA

Section 55.1913 of the South Dakota Securities Act, requiring a bond by agents in such amount as required by the Commissioner, not exceeding $5,000, was amended effective March 16, 1959, to provide that the bond may be a continuous bond with the whole penalty of the bond liable for each license year and that the surety may cancel the bond as to future liability by giving 30 days written notice to the Commissioner and to the licensee.

TENNESSEE

The Tennessee Securities Act was amended effective March 20, 1959, and the following were the principal changes:

(1) Section 48-1602 was amended to add definitions of "Director" in Subdivision (K), of "Promotional Securities" in Subdivision (L) and of "Speculative Securities" in Subdivision (M).

(2) Subdivision (f) was added to Section 48-1608 (1) to require the notice of intent to sell filed with the Commissioner to include the names of other states in which filing has been made or will be made and the names of states where filing has been voluntarily withdrawn or denied.

(3) Subdivision (m) was added to Section 48-1608 (2) to require the prospectus filed with the Commissioner to contain any and all information relative to promotional interests, stock ownership and the escrow of the proceeds which the Commissioner may deem necessary and material in connection with the securities being registered.

(4) Subdivision (5) was added to Section 48-1608 to require that a printed prospectus containing all the information in the pro-

spectus filed with the Commissioner and approved for use by the Commissioner must be used in connection with all sales of securities registered under the act unless otherwise waived by order of the Commissioner.

(5) Subdivision (c) of Section 48-1619, exempting securities issued by an insurance company, was deleted.

(6) Subdivision 8 of Section 48-1625 was amended to authorize the Commissioner to require that a written examination be given to applicants on the fundamentals of securities analysis in order to determine an applicant's training or experience to act as a salesman of securities in the state, as well as to determine his knowledge and understanding of the Tennessee Securities Act.

(7) Section 48-1629 was amended to add in Subdivisions (10) and (11) additional grounds for revoking or suspending the registration of dealers and salesmen.

(8) Section 48-1648, providing penalties for violations, was amended to delete the word "willfully" from the provision that "Any person who shall willfully violate any provision of this chapter or any order issued by the Commissioner . . . ."

(9) A new Section was added to provide that no advertising matter containing or constituting an offer to sell any securities registered under the act shall be published or circulated unless and until submitted to and approved by the Commissioner.

(10) A new section was added to the act to impose special provisions on promotional and speculative securities.

(11) A new section was added to provide that all investment companies and securities dealers shall be subject to examination by the Commissioner or his representative at any time in the manner now provided for examination of insurance companies. The cost of such examination shall be borne by the examinee, provided that not more than two such examinations shall be charged for in any one year and where more than one such examination is made in the same community in the same week, the actual traveling expenses of the examiner shall be pro-rated between such examinees.

TEXAS

Section 5 of the Texas Securities Act (exempt transactions) was amended effective April 23, 1959, to add a new subsection exempting:

"Q. The sales of interests in and under oil, gas or mining leases, fees or titles, or contracts relating thereto, where (1) the total number of sales by any one owner of interests, whether whole, fractional, segregated or undivided in any single oil, gas or mineral lease, fee or title, or contract relating thereto, shall not exceed 35 within a period of 12 consecutive months and (2) no use is made of advertisement or public solicitation; provided, however, if such sale or sales are made by an agent for such owner or owners, such agent shall be licensed pursuant to this Act. No oil, gas or mineral unitization or pooling agreement shall be deemed a sale under this Act."

WASHINGTON

The M[illegible] form State Securities Act was adopted, with a few changes, effective June 11, 1959.

WISCONSIN

The Wisconsin Securities Act was amended (1) in Subdivision (21) of Section 189.07, exempting sales of interests in investment clubs meeting specified requirements, to change a requirement that all members continue to retain equal interests in the fund by substituting a requirement that the financial interests of each member in the club does not have to be equal, but the members must have equal voting powers and (2) to modify a requirement regarding the filing of prospectuses.

APPENDIX B

Conclusions in the Report of the Options and Warrants Committee of the North American Securities Administrators Adopted at Atlantic City in September, 1959

This committee concludes that the present Statement of Policy as a general principle is well advised and that it should be reaffirmed in its present form.

However, this committee believes that as a practical working tool, this Statement of Policy is at times inadequate and that without some practical standards or guides it will either be used too rigidly, as evidenced by some states uniformly prohibiting options in each and every case, or too loosely such as states permitting options to an unconscionable and inequitable degree. This committee further believes that without some specific guides or standards the original intentions of the Statement may be lost.

Accordingly, this committee suggests the following standards or guides for the use of administrators in determining whether the issuance of stock options under the Statement of Policy is justifiable:

(1) That options to management in the nature of restricted stock options for incentive purposes, be generally looked upon favorably if reasonable in number and method of exercise.

(2) That options to employees, or their nominees, pursuant to stock purchase plans or profit sharing plans, if reasonable in number and method of exercise, be generally looked upon favorably.

(3) That the Statement of Policy be given a liberal interpretation as to options or warrants issued to underwriters in connection with a public offering price, if:

(a) They are issued to the managing underwriter under a firm underwriting agreement and are not assignable or transferable;

(b) The number of shares covered by all the warrants or options do not exceed 10% of the securities to be outstanding at the completion of the offering;

(c) The initial exercise price of the options is at least equal to the public offering price with a "step-up" of the exercise price of 10% each year they are outstanding;

(d) The options or warrants do not exceed five years in duration and are exercisable no sooner than one year after issuance, and,

(e) The options or warrants are issued by a relatively small company in the promotional stage where it appears from all of the facts and circumstances that the issuance of such options is necessary to obtain competent investment banking service, provided that the direct commissions to the underwriters are lower than the usual and customary commissions would be in the absence of such options or warrants;

(4) That in those states where it is necessary to include the value of the options in the computation of commissions the market value of such options, if any, be used. That in those cases where no market value exists an arbitrary value of 20% of the original exercise price of options be used unless evidence indicates that a contrary valuation exists.

(5) That the same tests be applied to options issued by "selling shareholders" as has been recommended herein, unless evidence indicates that the selling shareholders are so separated from the corporate entity and so lacking in control of the corporate entity as to require more liberal treatment.

This committee report emphasizes that the foregoing standards or guides are recommended only as a tool to assist the individual administrator when working with the Statement of Policy, and in nowise in any way binds any member state or province to accept such standards or guides administratively. It is strongly recommended that these guides be used in the light of facts and circumstances and that rigid adherence to these guides and standards should not be used if the net

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Report of IBA State Legislation Committee

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result would give rise to inequities to existing shareholders.

Respectfully submitted,

STATE LEGISLATION COMMITTEE

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G. H. Walker & Co.
St. Louis, Mo.

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Estabrook & Co.
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Harry Theis
Albert Theis & Sons, Inc.
St. Louis, Mo.

Milton S. Trost
Stein Bros. & Boyce
Louisville, Ky.

Paul E. Youmans
Bosworth, Sullivan & Company, Inc., Denver, Colo.

FNMA's Exchange Of Bonds for Mtges Well Received

The recent plan under which the Federal National Mortgage Association made available a part of its Government portfolio (Management and Liquidating Functions) of 4% VA mortgages in exchange for U. S. Treasury 2¾% bonds, Investment Series B, 1975-1980, was well received, according to data released December 4 by J. Stanley Baughman, FNMA President. All offers were required to be submitted by December 1.


J. Stanley Baughman

The average exchange price of the offers that were approved was $102.03 of face amount of bonds for each $100.00 of unpaid principal amount of mortgages to be acquired. Such offers, aggregating $188,328,000, included a high offering price of $105.13, a low of $101.125, and an average of $102.03.

Mr. Baughman said that bondholders whose offers have been approved are being notified. Arrangements will then be made to consummate the individual exchanges.

On an overall basis, 236 offers totaling $282,881,300 were received from 125 different bondholders. Of these bondholders, 41 were savings and loan associations, 34 were savings banks, 26 were insurance companies, 12 were commercial banks, 7 were other types of bondholders, and 5 were individuals.

Now With Camp & Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore. — Kenneth K. Kraushaar has become associated with Camp & Co., U. S. National Bank Building. He was formerly with Foster & Marshall and Donald C. Sloan & Co.

Opportunities for Private Investments in India

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as soon as we could, to the task of the economic regeneration of the country. In 1950 we established the Planning Commission with the object of assessing the economic needs of India and the resources available to meet them and to draw up blueprints for economic progress. The first Indian Five Year Plan started functioning in 1951, the second in 1956 and the third is now in the process of preparation.

Explains India's Economic Planning

Before I describe to you the content of these plans, it might be as well to explain the processes and nature of Indian economic planning. The term Five Year Plan tends in the United States to conjure up a picture of totalitarianism, of regimentation, of bureaucracy and forced labor. It connotes decisions taken by a few people at the top which are then ruthlessly carried out, no matter what the cost is to the individual. Planning in the framework of a democracy is, however, entirely different. For one thing, the Indian plan is prepared after the widest possible consultation with State governments and the representatives of private industry. It is then published and discussed throughout the nation and is finally adopted in Parliament by the freely elected representatives of the people.

The Indian plan is not a rigid framework which can in no circumstances be altered. Nor does it overlook the importance of appropriate incentives, through the media of fiscal and monetary policy, and it operates through the mechanism of the market. It is intended to serve as a guide-line to indicate the directions in which the economy should move and it sets out a series of targets of production and for the provision of social services. The Plan is not only for the public sector but also for the private sector; and in so far as the industrial activity of the private sector is within the framework of the plan—which it must be remembered is made with the full consent and cooperation of the private industrialists—the government helps them through every means in its power.

The justification for planning in a poor country is so obvious to us that we tend to be surprised at anybody questioning the necessity for it. There is no well-run industrial enterprise which does not have a planned program of development so as to avoid wasteful expenditure and wasteful use of resources. Similarly, in a poor society, where resources are short, it is imperative that whatever is available should be used to the maximum advantage and waste should be minimized. We do not have wealth to squander on inessentials and we must concentrate whatever we have on the highest priorities. That really is the essence of planning and its justification in poor societies is becoming increasingly recognized.

The first Five Year Plan resulted in an investment of $6 billion in five years—about the same amount the United States invests in a single month. Of this roughly $3 billion was in the public sector and a similar amount in the private sector. At the commencement of the Plan the per capita income of India was $52 per annum. By the end of the plan period production had increased by 18% or at the rate of 3.5% per annum and per capita income had gone up to $58 which meant an increase of about 2% per annum. There was during this period no rise in prices and we got very little foreign assistance.

An Over-Ambitious Plan

It soon became clear, however, that the rate of progress in the first plan was too slow not only for the achievement of a viable economy but also to keep the Indian society politically and socially stable. We were not fulfilling the demands created by the revolution of rising expectations and we had to go faster if we were not to come to grief. Furthermore, the plan disclosed that there were certain structural weaknesses in the economy, namely that it produced practically none of the basic materials required for economic development. We produced a little more than a million tons of steel, no heavy machinery, just about 7,500 tons of aluminum, very little fertilizer, only 10% of our oil requirements, and few drugs and chemicals. If the economy had to be developed, whether in the agricultural or in the industrial field, practically everything required for its development had to be imported. Nor was it possible to increase either the production or the sales of our traditional export items in the short run to enable us to find the foreign exchange for all these requirements.

The Second Plan was, therefore, aimed at an investment of a little over $13 billion of which about $8 billion were to be invested in the public sector and $5 billion in the private. Though the allocation for agriculture was substantially greater than in the First Five

Year Plan, the relative share of industry was increased. The Plan envisaged an increase in total national income of 25% and an increase in the per capita income from $58 to $68 per annum. This attempt to increase the per capita income by 20 cents a week is sometimes called over-ambitious by our foreign critics. There could not be a greater misuse of language for at this rate it would take us 35 years since planned development began in India to raise our per capita income to $2 a week.

80% of Capital Internally Generated

The Second Plan has still 16 months to run its course. But the indications are that while the targets for investment in money terms will be achieved, it will fall short in real terms by 18 to 20% because of some rise in Indian prices but mostly in foreign prices. The rate of increase of total national income is likely to be once again no more than 3.5% per annum and though certain targets of production will be achieved and some even exceeded, there will be a shortfall in many others. Further, in spite of the fact that taxation has increased by no less than 60% over the last 5 or 6 years and that savings have been encouraged in every possible way, we are not likely to finance more than 80% of the investment during the Second Plan period from domestic resources, the remaining 20% having to come from outside mainly in the form of loans and substantial amounts in the form of surplus American agricultural commodities. However, though we will probably fall short of our targets, great progress will have been made in strengthening the basic sectors of the economy and the fact that we will now produce much of the steel, fertilizers, chemicals, machinery and transport equipment that we need, will make it less difficult for us to develop further.

The Third Five Year Plan which will commence its term in 1961 is now under preparation and the objectives that guide us are fairly clear. The first and foremost objective is to make India as soon as possible into a viable, self-reliant and self-generating economy which can generate what is required for its further development from its own resources. This is our objective because we wish to be independent not only politically but economically as well. The taking of government-to-government aid is to us as unpleasant as is the giving of it to most governments, and we wish that this situation in which we are dependent on the goodwill of foreign governments for even a modicum of economic development should end as soon as possible. We do not wish to be a burden on the comity of nations for one moment longer than is absolutely necessary. We wish ourselves to return to the world what we have taken from it (and what we will, unfortunately, have to continue to take) by expanding the aid we already give to our neighbors.

India Wants Private Capital

Fortunately, the ideal of a self-generating economy, of reaching, in Professor Rostow's terminology, the point of "take-off" seems, on a realistic assessment, to be within our grasp in the foreseeable future. There are many factors which are required for economic growth and the chief among them are a stable government, an efficient and honest administration, managerial and organizational ability, technical competence and capital. These must all be present before a country can develop its economy. All underdeveloped parts of the world are short of capital but by no means all of them possess the other requisites of economic growth. India is fortunate that, through the operation of the historical factors, of which I have spoken earlier, and experience in large scale developmental operations in the last 10 years, it possesses in sufficient quantity all of these factors of growth other than capital.

What is holding up India's development is, therefore, the shortage of capital and of nothing else. This capital we intend to raise, as far as we possibly can, through our own sacrifices, by taxing ourselves to the limit and by limiting consumption. But for the next ten to twelve years we see no escape from having to rely to the extent of roughly 20% of our needs on external capital.

We neither desire nor expect that all the foreign capital we need should or will come to us on a government-to-government basis. We recognize that private foreign investment can play a very important part in meeting our need of foreign exchange and in the development of the country. We are, therefore, taking every possible step to encourage private foreign investment and to give to it the climate and the conditions in which it can work. The more money we can raise through direct foreign investment, and the more we can tap the private investment market by way of flotations of public and private loans, the less will be our demands on the taxpayers of the world which, as I have indicated, we would like to keep to the absolute minimum.

Unfortunately, so far we have not had great success in attracting private foreign investment. The total foreign business investment in India at the end of 1957 was just about $1.2 billion, of which the British share was just under 75%, while the American share was only 10%. Private foreign investment is, no doubt, increasing but at a painfully slow rate. In 1957 fresh foreign investment, including the reinvestment of profits, was $35 million, and of this the United States' share was $21 million, or 60%.

India Respects Private Capital

For this paucity of investment we are ourselves partly to blame. We have not made known adequately our attitude to private foreign investment and we have perhaps not made sufficient effort to correct certain wholly mistaken images which have been formed in the American mind, due largely to the use of the words "socialist pattern of society" in describing the objective of economic policy in India. May I say quite categorically that we believe that private foreign capital is essential and desirable for the development of our country and that we recognize that if it is to operate three basic conditions should be fulfilled; first, that it should have security, second that it should have an opportunity of making profits and third, that it should be able to remit its profits and its capital to the country of its origin.

In regard to the security of capital, the Government of India have repeatedly stated at the highest possible levels that they do not believe in nationalization for its own sake, that they have no intention of nationalizing any existing industry or units of industry, that if at any time for any particular reason any industrial enterprise is nationalized full and equitable compensation will be paid. There are proposals annually made in Parliament by the Communist opposition that this or that industry should be nationalized. The Government line is invariably the same, viz., that nationalization does not add to productive capacity, and that, therefore, if the Government of India had any surplus resources it would invest them in new productive enterprises rather than squander them in taking over existing ones.

Further, Article 31 of the Constitution of India lays down that no person will be deprived of his property without the payment of compensation. If all this were not sufficient, the Government of India are in the process of entering into an agreement with the United States Government enabling the I. C. A. Expropriation Guarantee Program to operate in India. Under this agreement, American investment in India will become as safe in theory as it is in practice. [*Ed. Note:* The agreement became effective Dec. 7, 1959.]

Says Opportunities for Profits Are Enormous

As to profits, those of you who have any experience of India would bear me out that the opportunity for profits for any reasonably well-managed concern is enormous. Demand is continuously and rapidly rising and the market is virtually completely protected for with our present shortage of foreign exchange, which will continue, we have perforce to limit our imports to those commodities which are essential and are not produced in India. Not content with the natural advantages which any industrial enterprise has in conditions of this kind, the Government of India give very substantial tax privileges to new enterprises, including a tax holiday for the first five years for all profits up to 6%, a special development rebate, and accelerated depreciation allowances, which enable concerns to amortize as much as 85% of their capital in five years.

Furthermore, there is no danger of unfair competition whether from government enterprise or from private Indian enterprise. Once foreign capital has come in, it is treated in all respects on the same basis as Indian capital; all the privileges and concessions given to Indian concerns are equally given to foreign ones as well and there is no discrimination. Further, all government enterprises are subject to the same laws, rules and conditions as are applicable to private enterprise. All governmental industrial concerns—of which, incidentally there are as yet not many—are organized as companies under the Companies Act and are subject equally with private enterprise to the rigors of the Income Tax Act, the Factory Act, the Labor laws, and all the regulations that govern private industry.

As to the transferability of profits and dividends, India has the unique record in the underdeveloped world of never having restricted their remittance. There never have been—nor has there been any desire to impose—any restrictions of any kind on the free remittance of all profits and all dividends, irrespective of amount or of rate. Even more, we do not in any way restrict the repatriation of capital. The foreigner can take out not only the initial capital he puts in or reinvested but the capital gains he may make on the sale of his property freely, at any time and in any amount. The Indian record in this regard is not the only safeguard: India

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is a party, as far as American investments are concerned, to the convertibility guarantee program of the I. C. A. and the American investor can easily insure himself against the risks of inconvertibility.

Semantics of Socialism

Let not also the phrase socialist pattern of society frighten you away. It is increasingly becoming clear that the word socialism has very different meanings in India and in the United States. What we mean by socialism is, in essence, that the benefits of the economic development of society should not be limited to the few but should be distributed to the many, that the common man should, as soon as possible, have a basic minimum, that economic power should not be concentrated in the hands of a few and that the inequalities of incomes should be kept to the minimum consistent with the provision of monetary incentives. Positively what we mean by socialism is that the State should take a positive and vigorous role in the expansion of economic development without any dogmatic prohibition about its entering the industrial field where such entry may be necessary for the common good, whether because of the absence of private enterprise or otherwise.

This does not also mean that all the productive capacity of the country should be owned by the State. Agriculture which employs more than 70% of our people is wholly within the private sector and so are the small-scale industries. More than 90% of our factory industries are owned and operated by private businessmen, a proportion much higher than in many countries of Western Europe. To make another comparison the share of the Government in the Indian national income is around 10% compared to 20% in the United States itself.

The system adopted by the Government of India is often known as and can perhaps best be described as a mixed economy. The economy is called mixed because the state has taken upon itself the responsibility for the development of certain sectors while the others are left to development by private enterprise. The future course of industrial development is clearly outlined in the Industrial Policy Resolution of 1956 and this too underlines the objectives of a mixed economy. Industry has been divided into three categories; category A being that for the development of which the state is responsible; category B being that in the development of which the state as well as private entrepreneurs may put up enterprises, the remainder being wholly the responsibility of the private sector. There are 17 industries in category A and 12 in category B. Category A includes defense industries and those related to defense, industries in the nature of public utilities and transport such as railways, telephones, airlines and power; and then certain basic industries which, in any event, are too large for Indian private enterprise to handle, the most prominent of which is iron and steel. The second category includes items of great importance to the national economy but which it may be well within the capacity of private industry to establish; examples are the manufacture of aluminum, synthetic rubber, and alloy and tool steel.

These lists are not meant to be water-tight and the State may even in the case of category A industries agree to the participation of private interests whether domestic or foreign. Taking the whole area of potential industrial development together, there can be no doubt that there is a vast field open to private investment both domestic and foreign.

In the ultimate analysis, the proof of the pudding is in the eating and it is an undeniable fact that private investment in India has grown tremendously in recent years at a time when public investment has also increased considerably. As we see it, the development of the public and private sectors is a mutually complementary process producing in the aggregate the greatest national good, and the precise roles to be assigned to each in the national endeavor is a matter of debate, discussion and judgment rather than of ideological predilection for the one or the other.

The picture of India that in short I would wish to leave with you is that of a vast and very poor country, which has been left behind in the race for economic development, endeavoring to raise itself by its bootstraps and not willing in the endeavor to sacrifice the values of human dignity and liberty which it holds dear. In this effort it has many advantages—advantages of character, competence, sophistication and determination, of extraordinary leadership and of the willingness to sacrifice for the national good. It has also many disadvantages the principal one being that very poverty which it seeks to remove. It has not much time to achieve its objectives and foreign help in their achievement will shorten the time and lessen the sacrifice. And on whether or not India does achieve her objectives may well depend the future course of human history.

*Text of address by Ambassador B. K. Nehru, Commissioner-General for Economic Affairs, India, before Investment Bankers Association of America, at Miami, Fla., Nov. 30, 1959.

Now Corporation

CHARLESTON, S. C.—A corporation has been formed to continue the investment business of Silcox and Johnson, Inc., 8 State Street. Officers are F. Mitchell Johnson, President and Treasurer; and J. Heyward Silcox, Vice-President and Secretary.

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was designed to reach a speed of 2,000 miles an hour and fly at an altitude of 70,000 feet. The Air Force had spent some $150 million in the development of this airplane. Advances in missiles gave them priority over this planned interceptor fighter plane.

The emphasis has shifted away from the design and production of airframes with engines, landing gear, radio and the gunnery that goes with the airplane. There has evolved a variety of new weapon systems most of which are still in various stages of development. Electronics with its little black boxes have now become the vital part of the airplane system. In another direction, however, missile development centered around electronics for guidance and control requires, in addition to the mechanism inside the missile itself, elaborate guidance and control equipment in ground facilities. It is estimated that military spending on missiles will be approximately the same as on aircraft. Expenditures on the latter amount to $6.2 billion this fiscal year while the amount being spent on missiles is currently $3.8 billion. Thus, expenditures for missiles will approximately double.

One of the most important factors responsible for the high rate of national defense expenditures is the necessity of maintaining even in modified form existing facilities and weapon systems whether for aircraft or naval vessels. Missile development does continue and is being enlarged. The significant thing is that electronics is utilized in every phase—old or new—and to an increasingly greater extent in the arsenal of defense. Todays store of weapons require an increasingly greater amount of electronic gear. This is evidenced by the fact that at the end of World War II approximately 15% of military procurement consisted of electronic equipment. It has now doubled to about 30% of the total. Total defense expenditures for electronics will amount to $4.7 billion this year and are expected to grow to $7.8 billion by 1965.

The change in methods of warfare or defense is as revolutionary on the water as in the air and on land. The U. S. Navy is now undergoing a change as great as that from canvas to steam. Apart from the far reaching significance of the utilization of nuclear power the change is not only one of ships and tactics, but also of weapons. The Polaris missile which is fired from a submarine under water is capable of hitting a target up to a range of 1,500 miles. A new navigation system makes it possible to pinpoint its target. Very recently the Navy asked that its program for Polaris missile submarines and their weapons for the fiscal year beginning in 1960 be increased from the $600 million figure this year to $1.9 billion. Since this program was announced in January 1957 a total of $2.6 billion has been spent. The Polaris is a two stage rocket using a solid fuel propellant and is presently spear-heading the U. S. Navy's submarine weapons system.

Transistors and Semi-Conductors

If one of a number of factors affecting the electronic industry could be singled out, the transistor is almost certain to head the list as the most significant. Since the announcement of its development by the Bell Telephone Laboratories in 1948, there has been a succession of new advances and break-throughs along a wide scientific frontier. The transistor

has made possible a large number of these new advances in electronic systems both for commercial and military uses. The development and improvement of this one device alone reflects as well as anything can the dynamic characteristic of the electronic industry. Its commercial feasability was made possible first by advances in technology of solid state physics. Then came improvements in the original product and development of production techniques which made possible lower prices and greatly expanded uses. This process is still going on with every expectation that more useful applications will be made and considerably broader markets will develop. Preliminary estimates indicate a volume of some $450 million for transistors by 1965 representing an output of 500 million units. Other semi-conductor devices will probably have a volume equally as large. At the present time, there are about 80 companies competing in the field of transistor and semi-conductors. About one-third of all transistor and semi-conductors produced are used in military equipment.

The competition in transistors becomes greater month by month with manufacturers both domestic and foreign seeking vigorously to gain position or strengthen it by improvement and cost reductions. Silicon transistors have already removed some of the limitations of the germanium transistors. New methods of purification of silicon makes possible its use in transistors using higher power. Other developments are new diffused base structure, use of gallium arsenide, indium phosphide, all designed to improve transistor performance and reliability. Foreign producers, particularly the Japanese, have entered the American market to an increasingly greater degree. Despite a 15% import duty, the wide differential in production costs make is possible for Japan to export substantial quantities of transistors, as well as other electronic equipment, most of which is of high quality. Japanese production of transistors amounted to 560,000 units in 1956. By 1958, this output had grown to 26.7 million units; meanwhile U. S. production rose from 12.8 million to 47 million units. The Japanese production rate this year is double that of 1958 with 14.9 million units produced in the first quarter. Japanese exports of transistor radios will reach 4 million this year or double 1958 exports. Last year, Japan exported 1.9 million transistor radio sets of which 1.2 million went to the U. S. market. U. S. manufacturers are buying not only transistors but other electronic components from Japan at lower prices than they can produce them in the U. S. As is generally known, the important cost differential is labor. U. S. factory labor costs in electronic manufacture averages $1.60 an hour. Comparable cost in Japan is said to be as low as 13 cents an hour in certain areas and for particular items.

The total transistors market this year is valued at over $80 million. By 1965 it is expected that a five fold increase in total volume will materialize. This will represent a value of output of approximately $450 million. Of this amount about one-third will be for transistors used in military equipment.

Management

Although it may not be too accurate to generalize, the electronic industry has a cross section of management whose dominant characteristics are that it is young, aggressive and hungry. During the past 10 years, a large reservoir of talent and skills has been built after having been incubated during World War II. The man has come out of the services, the universities, aircraft plants and other industrial companies to stake out an opportunity for himself. He may be a scientist or engineer, a college professor, a mechanic with a pair of pliers or just anybody with an idea and a seriousness of purpose. Some of these men were given much responsibility during the last war, far greater than many could have hoped to get under normal circumstances. They liked it, successed at it and were determined to do the same in the business world after the war ended. This ambition and drive when applied in the electronic industry where there were and still are many frontiers to cross produced a group of imaginative, creative and successful enterprisers.

In the evaluation of a vast new industry, the nucleus has been a large number of small companies. Many of these companies came into being by having individuals —the inventor, the physicist, the engineer or the organizer—break away from large companies or universities. Litton Industries, Varian Associates, Itek Corporation, Microwave Associates and Ramo-Woolridge are examples.

The success of many small companies and the impressive growth of some of them indicates that there is no monopoly on brains in the electronics industry by one or a few companies. Concentration in the form of large dominant companies is not a likely prospect. Inventions, technological developments and improvements are being made at a good rate and these come from many directions.

Growth from within is a natural consequence of the industry in view of the expanding markets. Perhaps one of the most significant trends is the growth of large, aggressive units in the industry. Most notable in this category are Litton Industries and Texas Instruments.

Litton Industries was formed about six years ago with the principal objective to create a large broad-based electronics company. Through a series of well planned, well executed acquisitions the company has grown from $7.6 million of total assets at July 31, 1955 to $83.2 million at the end of July this year. During this period sales increased from $8 million to $125 million and net income rose from $430,000 to $4,900,000. In the four-year period ending July, 1959, Litton Industries stockholder's equity increased from $3.4 million to $34.5 million—a ten fold gain! Its working capital rose from $1 million to $38 million. Major acquisition include Monroe Calculating Machine (office equipment), Westrex Corp. (sound recording), and N. Y. Times Facsimile (wire transmission). More recently the company announced acquisition of Svenska Dataregister Co. of Sweden (cash registers and point-of-sale recording equipment.

There have been numerous acquisitions made by other companies. Texas Instruments supplemented its growth, centered on geophysical instrumentation and manufacturing with high engineering content, with a series of acquisitions in the instrumentation, optical component, resistor and specialized metal fields.

Table II lists the names of various companies that have been absorbed in the past few years. There is strong likelihood that more combinations will take place as the pace of competition for makets, for personnel and in research grows. Strong financial resources will become a prime necessity if they are not already.

The Market for Electronic Stocks

Electronic stocks like many stocks, generally, are reflecting in their prices a very high appraisal of earnings. The level of market prices fundamentally seems to result from greater confidence as well as the lessening fears about a serious economic depression. Add to this the psychology of inflation which permeates the whole investment atmosphere and introduce a scarcity factor and the masis is established for a strong market in stocks.

These factors are supported in the case of electronic stocks by a strong growth trend.

The demand for electronic products and research services by the military authorities provides the industry with a substantial portion of its operating revenues. In the minds of investors there has been a growing conviction sup-

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TABLE II

Some Important Mergers in the Electronic Field

Name of Company:	Merged into or Acquired by:
Ramo-Woolridge Corp.	Thompson Products
Stavid Engineering	Lockheed Aircraft
Sylvania Electric	General Telephone
Matchlett Laboratories	Raytheon
Sorenson Co. (Sanco)	Raytheon
Aircraft Radio	Cessna Aircraft
Airborne Instruments	Cutler-Hammer
Applied Science of Princeton	Schlumberger Ltd.
Intelligence Machines Corp.	Farrington Mfg.
Consolidated Electrodynamics	Bell and Howell
Leventhal Electronics	Radiation, Inc.
Bomac Laboratories	Varian Associates
ORR Industries	Ampex Corp.
Norden Co.	United Aircraft

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ported by international political events that the military segment of the market will not be reduced and is more likely to grow in size and scope. This sentiment reflects the influence of the cold war and is a manifestation of the race for scientific dominance. The race has become more intensified in the past 12 months.

It is reasonable to assume that there is a degree of permanence to the volume of business originating from military sources and that this does provide a broad base on which the electronic industry can operate. These factors have combined to supply the investor with prerequisites of a glamour industry—and he has acted accordingly.

An important number of companies in the field are no more than manufacturers of parts or must rely to a significant extent on sub-contracts. There are many, also, that have little or no research facilities or programs. Basically, then, the source of their operating revenues is not entirely dependable since it is not under their control as is the case with companies having proprietary items and which sell in the commercial market. Products for commercial use are promoted and sold by a sales staff trained to do the job. These products are improved and supplemented by others. Success depends largely on the efforts of the indiviual company to create and exploit a civilian market. Companies can rule or guide their own destinies in accordance with the aggregate of skills possessed by the organization and the intelligence that they use to promote their interests.

The electronics industry can and does do this up to a certain point —the area of civilian products. But even here a number of companies are always exposed to scientific advances and developments which may render their product obsolete or confine their markets within narrow limits. In defense products no company can be sure of the extent of requirements or changes from year to year or even from month to month. Decisions relating to such requirements could result in the elimination of a volume of business running into billions of dollars. The aircraft industry right now is a very good example of the changing characteristic of the military market. It does not appear likely that the electronic industry will have any such problems. Its total volume is not only expanding at a good rate rather than diminishing as in aircraft, but it is growing along many fronts. Moreover, projections for the future are highly optimistic. There is for the investor a factor of dependability and durability of earnings from a basic source, the military, that has to be assessed carefully.

The phenomenal rise in prices of many electronic stocks results from the desire of too many eager investors chasing too few stocks. In some respects this chase is like the California and Alaska gold rushes of earlier periods. The substantial increases in market values in a comparatively few cases has whetted the appetites of tens of thousands of investors. These include not only individuals seeking speculative gains but institutions and others anxious to obtain a stake in a promising new industry for long-term growth. Table III gives an indication of spectacular gains in market prices of a sample group of companies in the industry. These are certainly not typical but have occurred enough to identify the industry as a fertile field in which to search for large capital appreciation.

The Dow Jones Average of 30 industrial companies are presently selling at a price equivalent to about 17 times estimated earnings for 1959; and they yield on the average slightly more than 3%. A number of high grade growth companies are presently selling between 30 and 40 times earnings and yield around 2%. By comparison, a group of electronic companies also are currently selling at 30 to 40 times earnings with most of them paying no cash dividend and thus provide no yield. Based on recent current market prices a sample group of electronic companies were selling from a high of 58 times earnings to 27 times earnings. These were Ampex, 58; Texas Instruments, 43; Litton Industries, 36; Varian Associates, 35; Beckman Instruments, 27. The market without doubt and with few qualification is willing to pay substantial premiums for growth whether it is in the electronic industry or for select companies in other types of enterprise.

There is evidence in the figures to suggest that the standard of measurement has changed to give a more liberal appraisal to growth. In addition, it is also typical of investor reaction to a new industry. None of this is really new. The circumstances are different and the degree of interest and enthusiasm may vary as does the length of time in which the industry grows from infancy to a period of active growth and then to maturity. Meanwhile the weak are sorted out from the strong and the market makes its appraisal of values based on the solid foundation of position in the industry and on performance.

Competition is severe and intense. There is a constant struggle going on for technical supremacy. This means not only new products, new designs and applications, but also more efficient production techniques to reduce unit costs and increase output. In transistors and tubes the competitive pace has been particularly strong and is likely to get stronger in these products as well as in other areas of the electronic market. The severity of competition is seen in the abandonment of TV set production by a number of companies such as CBS, Raytheon, Bendix, Crosley, Stromberg Carlson and others. While these companies were getting out of this business, Zenith Radio was carving out for itself a dominant position in this field and showing excellent profits. Some companies in the industry have disappeared, reorganized, merged with others or have experienced lean years of profits. Such developments in an industry showing vigorous growth have significance. It is too simple an explanation to say that good management is the main requirement for a company to grow and prosper. Some companies considered to have good management have not grown; others also with good management have shown very moderate growth. There is no magic formula for appraising the degree of competence in anticipation of performance. It does appear, however, that the companies in the industry, whether large or small, whether mature or young, that have established good positions have progressed through a well formulated policy as if to ask the questions: Where are we going? How do we get there? A second element is that of organization. This goes far beyond filling an elaborate chart with names and titles and provides no more assurance of success than a football squad fielding a team of 11 men with strange sounding names. There is a combination of skills that each has that can be developed and improved and applied through well planned strategy and keen tactics to achieve real success. In organization as seen in the successful electronic company, there is competence combined with confidence. The men hit hard and hit often—it is that kind of an industry. A third element is creativeness generated from within through research or acquired in other ways. Out of this fountainhead of self-perpetuation and growth comes a flow of knowledge, a body of know-how and

TABLE III

Ten Companies in Electronic and Allied Fields Market Price Appreciation

Name of Company—	Year of Initial Offering or of Ltd. Stk. Sales	Initial Offering Price or Approx. Mkt.	Mkt. Price Nov. 2, 1959	Per Cent Increase
Ampex	1953	7¼	106	1,460%
Beckman Instruments	1952	12½	60	481
Hoffman Electronics	1946	6	28	467
Itek Corp.	1958	11	47	427
Litton Industries	1954	6	130	2,164
Texas Instruments	1953	5	164	3,180
General Transistor	1956	3	36	1,200
Heli-Coil	1958	14½	70½	486
Reeves Soundcraft	1950	1	10	1,000
Farrington Mfg.	1958	14	60	428

technical achievement that keeps the company alive and vigorous. Without it the corporate body slowly atrophies. In the electronic industry, such atrophy can be much faster.

Profits in the industry are notoriously small; and they are subject to fairly wide fluctuations. The record of many of the companies long established in the field provides good proof that the degree of profits and profitability can be uncertain. The military business requires little in the way of promotional expense as is the case with commercial products. There is, however, a continuing and rising burden of research and product development that is a prime necessity. There are no credit risks attached to the sales made for military uses. But competition and close scrutiny of margins narrows considerably the profitability of sales derived from this source. In many cases cost plus fixed fee is the criteria of profits and this is severely restricted. The demand for an increased volume of products and services has been so great that generally narrow profit margins have not prevented good gains in total net income. The aggregate of net profits realized by the industry has increased year by year and is certain tto continue its upward trend as total volume of business rises. But this sum total of profits is being distributed among a growing number of companies, big and small. The list is expanding constantly. Except in a few isolated cases, the gains in net income are far from spectacular. It is of significance to note that eight representative companies in the industry showed an increase in their combined net income of only $17.4 million in 1958 compared to 1948. Between these two year ends the market values of these same eight stocks increased by $1.4 billion. From the beginning of 1959 to Nov. 16, the aggregate market value has increased by another $236 million.

Seven other electronic companies of which several did not exist in 1948 and all but one had incomplete data reported a combined net income in 1958 of $17.2 million and cash dividends of $2.5 million. The market value of their stocks at the end of 1958 amounted to $593 million. In the past 11 months or to Nov. 16 this year, the total market value of these shares has increased to $1.1 billion or by $534 million.

Respectfully submitted,
INDUSTRIAL SECURITIES COMMITTEE

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Blyth & Co., Inc., Chicago, Ill.

Diran, Norman & Co., Inc. Sells Cracker Barrel

Diran Norman & Co., Inc., of 80 Wall Street, New York City, on Dec. 7 publicly offered 120,000 shares of 10¢ par common stock of Cracker Barrel Supermarkets, Inc. The shares have all been sold. The offering price was $2.50 per share.

Cracker Barrel is engaged in the retail sale of groceries, meat, produce, dairy products and miscellaneous merchandise through a chain of four supermarkets operated under the trade-name "Cracker Barrel," in the Borough of Queens, City of New York.

The company offers its customers a full line of foodstuffs such as is generally available in a modern supermarket, with special emphasis, however, on quality meats and dairy products and on specialty items. The company sells only higher grade meat products and its butter and eggs are high quality products, purchased directly from a farm in New Jersey and packaged under the company's tradename "Cracker Barrel." In addition, the company packages a limited number of grocery items, including coffee, under its private label. Of the company's gross sales, meats account for approximately 20%, fruits and produce for approximately 10%, and grocery, frozen food, dairy and non-food items for approximately 70%.

The company purchases its products principally from wholesalers, although dairy items are purchased from a direct source and some other items are purchased directly from manufacturers and processors. Non-food items are purchased from rack jobbers.

The proceeds will be used to acquire additional supermarkets.

Mutual Fund of Md.

BALTIMORE, Md.—Mutual Fund Associates of Maryland, Inc. has been formed with offices at 24th & St. Paul Streets to engage in a securities business. Officers are Max Fischer, President; Harold Polin, Vice-President; Martin Mallin, Secretary-Treasurer; and Edwin F. Spitzer, Assistant Secretary.

Quinn & Co. to Admit Holmberg

ALBUQUERQUE, N. Mex. — On Jan. 1 Quinn & Co., 200 Second Street, Northwest, will admit L. Philip Holmberg to partnership. Mr. Holmberg is Manager of the firm's El Paso office, 111 South El Paso Street.

Williston, Beane to Admit 2 Partners

J. R. Williston & Beane, 2 Broadway, New York City, members of the New York Stock Exchange, will admit Donald B. Conlin and John Utess to partnership on Jan. 1. Mr. Conlin is Manager of the firm's commodity department.

Form Keystone-American

LOS ANGELES, Calif. — Paul J. Balles and Jerome L. Goldberg have formed Keystone-American with offices at 3757 Wilshire Boulevard to engage in a securities business.

S. W. Marcus Opens

SAN FRANCISCO, Calif.—Samuel W. Marcus is conducting a securities business from offices at 166 Embarcadero.

K. L. McLaren Co.

K. L. McLaren & Co., Inc. has been formed with offices at 244 West 12th Street, New York City to engage in a securities business. Officers are Kenneth L. McLaren, President, and Robert H. Morris, Secretary.

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the Middle East. The relatively short distance from North Africa to the large oil consuming markets in Europe means a transportation cost advantage of as much as 50 cents a barrel over Middle East oil. The North African oil also is of higher quality. In addition, the threat of a competitive source of supply may strengthen the position of the oil companies in maintaining the traditional 50-50 profit sharing pattern in the Middle East. The importance of assured market outlets is becoming increasingly evident in this period of world-wide surplus. It is not surprising, therefore, that during the past year we have witnessed an accelerated trend toward greater integration by several oil companies.

As indicated in our report last year, the number of oil companies was expected to decline through acquisitions and mergers aimed at improved efficiency of operation. Following is only a partial list of steps taken in this direction this year.

Continental Oil earlier this year acquired through an exchange of stock more than an 80% interest in San Jacinto Petroleum, a crude producer with interests in the United States, Venezuela and other foreign areas. Continental Oil also acquired International Refineries, with a 15,000 b/d refinery, and has expanded the number of its retail outlets through a series of other acquisitions. Signal Oil & Gas, formerly a crude producer, over the past year acquired through exchanges of stock two West Coast integrated oil companies, Hancock Oil and Bankline Oil, and Eastern States Petroleum & Chemical Corporation, which owns a 60,000 b/d refinery and a petrochemical plant near Houston, Texas. Ohio Oil acquired Aurora Gasoline and its marketing subsidiary, Speedway Petroleum Corporation, through an exchange of shares. Western Natural Gas purchased an asphalt refinery in Texas and later acquired three refineries, 700 service stations and pipeline facilities of Premier Oil Refining Company. Texaco acquired Paragon Oil, a large fuel oil distributor on the East Coast.

This trend has also been stimulated by the cost-price squeeze facing the domestic independent crude producers. Rising discovery and development costs, long property payouts resulting from oversupply of crude and artificial production controls, and easier crude prices combine to place many of the smaller domestic crude producers in an unfavorable cost-price position. With little strength likely in the crude price structure for several years, more and more of the smaller producing companies are likely to be absorbed by larger companies in the industry.

An event of some interest during 1959 was the Arab Oil Congress held in Cairo in the latter part of April. Aside from the technical papers presented, there were several proposals of considerable general interest. One proposal called for an Arab-owned pipeline extending from the Persian Gulf to the Mediterranean to be financed by banks in oil consuming countries. This pipeline would make Arab oil more competitive in world markets and provide Arab nations with additional income. Another recommendation related to establishment of an Arab Development Bank to finance development and industrial projects in the Arab world. Capital would be obtained by setting aside for this purpose 5% of the yearly gross profits from oil operations before taxes, royalties, etc. A paper presented by the legal advisor to the Directorate General of Petroleum and Mineral Affairs in Saudi Arabia resulted in a considerable stir. This paper asserted that under certain circumstances a government could unilaterally break or amend a contract it had entered into. The Saudi Arab delegates hastened to explain they had no intention of abrogating their own concession contracts on that basis. Another item of interest was a proposal by the Venezuelan delegation to establish a proration scheme by international agreement with the Arab states and limit production and strengthen crude prices. Although the practical effects of the Congress will take some time to assess, the meeting provided the basis for exchange of viewpoints between various Arab countries and between the Arabs and the oil companies.

The brightest spot in the outlook for the world oil industry is the prospect of continued increase in petroleum consumption in line with expected population gains and increased industrialization throughout the free world. During the postwar period, domestic oil demand increased about 5% per year whereas the rate of growth in the foreign free world averaged about 10% per year. Although these rates may diminish somewhat, reasonable long term projections indicate a rate of growth for the United States of 3% to 4% per year over the next decade with that in the foreign free world expected to average about double the domestic growth rate.

In short, the world oil industry is a basic industry which still possesses growth characteristics. From an investment standpoint much of the glamour of the early postwar period has been lost by failure of earnings to increase in line with sales during recent years. No improvement in this regard is likely to occur for some time. However, certain individual companies with special features may continue to offer dynamic investment possibilities. In the meantime, investors are likely to consider oil equities less from the standpoint of growth prospects and more as income or cyclical trading media. More than ever, selectivity would appear to be the key to successful investment in the oil group.

The **major international oils** appears relatively attractive for long term growth capitalizing on the more rapid growth in oil consumption abroad even though reduced profitability of foreign oil operations on a unit basis will moderate earnings growth characteristic of the group in recent years. In most cases, present depressed prices of the shares appear to discount foreign political risks and other uncertainties to a great extent.

The **domestic integrated refiners** will continue to experience periodic supply-demand imbalances and squeezes on profit margins as a result of cyclical influences. Although the equities of some companies in this group possess strong long term investment attributes, for the most part these issues are primarily attractive as cyclical trading media.

Although mandatory import restrictions improve somewhat the position of the **domestic crude producers**, the prospect of continue rising discovery and development costs and relatively stable crude prices tend to limit future earnings growth. Except where there is an unusual degree of discovery exposure, or where the company is a definite near term sell-out or merger candidate, shares of the domestic crude producers also appear primarily attractive as cyclical investments.

* * *

Verbatim extracts from the Report follow:

Major Producing Areas

Free world demand is expected to grow at a rate of 5 to 6% per annum, reaching nearly 24 million barrels per day in 1964. Growth will be slower in the United States; our requirements are expected to reach 11.7 million b/d in 1964, an average increase of 4% each year. Free foreign requirements should expand at nearly double our rate, totalling 12.1 million b/d in 1964.

More than ample reserves of petroleum throughout the free world leave no doubt about the industry's ability to satisfy estimated demand 10 or 15 years hence. Indeed, the most pressing problem of the industry during the next few years will be the downward bias of crude and product prices caused by excessive producibility. Surplus availability of petroleum presently estimated at some 5.5 million b/d will dwindle to about 4.5 million b/d by 1964. In relation to anticipated requirements, the excess producibility in 1964 will be much less burdensome, improving from a surplus of 35% to 20%. Since, in our opinion, the industry needs a working backlog of excess capacity for necessary flexibility, approximately 15%, or 3.5 million b/d in 1964, the pressure of overly large crude surpluses may be overcome by that time.

The United States is the principal producer and consumer of oil in the world and will so remain for the foreseeable future. It is also probable that its productive capacity will be expanded only moderately. Furthermore, capacity to handle crude oil in Venezuela and the Middle East will probably expand at a somewhat slower rate than in recent years under the influence of proration, conservation, lowering profit margins, and more competitive markets. On the other hand, Algeria and Libya will expand production rapidly because of trade preferences and relative cheapness. Other discoveries may be made, particularly in the Middle East, but these are not likely to be large enough to play an important part in world oil trade by 1964.

Capital expenditures necessary to support the expansion foreseen will continue to grow more rapidly abroad. Adequate capital formation may be difficult to attain with profit margins in both production and marketing expected to be narrow. Access to outside capital for 10-15% of the anticipated large and growing expenditures may be necessary. Here, as elsewhere in the industry, the race may well go to the strong, i. e., the large, integrated and well-diversified companies with access to cheap raw materials and efficient distribution.

The Natural Gas Situation

It is sad commentary that once again a recital of the past year's developments within the natural gas industry must concern itself primarily with a variety of legal and regulatory events. Unfortunately, the sum total of the events so reviewed fails to add up to definable policies to clarify uncertainties that constitute a growing impediment to long-range planning by managements and investor acceptance for gas company securities.

This summary judgment of the situation, which has recently been gaining vocal adherence amongst the nation's press and financial circles, obtains despite the fact that shortly following our 1958 review the illconceived Memphis doctrine was reversed by the U. S. Supreme Court and thereby restored to pipeline companies their previously accepted rights to obtain periodic rate relief under the filed-rate procedure. The clearer investment atmosphere abruptly created by final removal of this serious threat was shortlived and was beclouded by a resumption of a series of regulatory decisions tending further to arouse concern over the direction of Federal Power Commission policies.

The first of these was the presiding Examiner's ruling in the Phillips Petroleum case, dealing extensively with the fundamental problems involved in regulating independent gas producers. The industry found much in this voluminous document smacking of a serious step closer to utility formula control over the supply phase of the industry. The Examiner went to great length to refute widespread claims that the exploration and development of gas reserves and production thereof constituted an enterprise markedly different from a utility undertaking and in so doing constructed a cost of service and attributed a 9¼% rate of return on net depreciated investment.

During the month of October

the Commissioners, sitting en banc, heard final argument of this key case. One spokesman has implied the rendering of a fairly early determination. To the minds, this suggests endorsement by the FPC of the basic approach taken by the Examiner. However, it is well known that the Commission has repeatedly taken a position in opposition to the extension of straight-jacket regulation over producers and has advocated relief from such responsibilities through amendatory legislation.

Our last review cited the absence of a unified industry front considered so vital to the prospects for favorable Congressional action along these lines, and the 1959 Session of Congress closed without the introduction of any such bill. Very recently, however, the subject assumed a new lease on life by a frankly worded address by Secretary of the Interior Seaton before the American Gas Association Convention urging the industry to resolve its differences and come forward with a legislative proposal designed to establish workable regulatory foundations protective of the consumers' interest. Whether the divergent views on this complex issue can be successfully reconciled remains to be seen.

The matter of producer regulation received further precedent-setting attention in the Commission's Opinion No. 326 involving El Paso Natural Gas Company, which had sought a 6% rate of return plus normalized Federal income tax treatment for its drilling and producing activities. A Commission spokesman implied that the El Paso order would serve as a model for rate setting involving integrated companies. In ths sense, considerable significance attaches to the fact that the FPC departed from past practice in recognizing two different types of rate basis, each with varying degrees of investment risk and entitled to commensurate returns. Accordingly, El Paso was allowed an 8.61% rate of return on its depreciated investment in gas wells and leases as compared with 6% on pipeline facilities.

The order furtner recognized that Congressional statute intended tax incentives from intangible drilling expenses and percentage depletion for *all* producers and that such incentives might consequently not be denied to pipeline producers by FPC action. This encouraging declaration lost its meaning for many by reason of the Commission's concept that tax savings were a substitute for a rate of return and in this instance were granted in lieu of any return per se. This had the earmarks of giving with one hand and taking away with the other. The whole proceeding is now before the Fifth Circuit Court of Appeals.

The heavy backlog of rate cases that accumulated during the impasse caused by the Memphis decision has prevented as yet any determination by the FPC of appropriate rate of return under current conditions of high senior money costs. This prolonged delay has been amongst the most serious areas of investor apprehension for the industry's future profitability and makes unfavorable comparison with regulatory conditions existing in many states where rates of return in recent years have been liberalized to compensate for rising interest expense on borrowed capital. According to an FPC spokesman, uncertainty on this matter will be ended in the early future by a rate of return decision involving current costs.

Most noticeable amongst FPC efforts during 1959 has been the expenditious handling of certificate applications involving expansion proposals to bring additional gas to areas of high demand. A record amount of construction was authorized during 1959, and the year will go down as the largest in the industry's history. Major projects brought into being included the Midwestern Gas Transmission line to Chicago from a point of connection with the Tennessee Gas system, thereby creating a much needed additional source of supply to midwestern consuming area. More recently, the FPC authorized the Transwestern Pipeline Company project to bring some 300,000 Mcf daily to southern California and also approved Midwestern's proposed new line to import 204,000 Mcf/d from Trans-Canada Pipeline for resale in our north central area. While Canadian approval must still be obtained, this represents the first instance wherein a new pipeline relying solely on imported gas supply has been authorized by the FPC. The decision is considered favorable toward the use of increasing volumes of Canadian gas as the most economical supply for our north central and west coast markets. Accordingly, Pacific Gas and Electric will soon enter upon FPC hearings regarding its $300 million venture to connect Alberta reserves with its California distribution network.

The year in summary has witnessed a continuance of the strong underlying economic growth pattern of the industry but regulatory developments have failed to provide the increasingly necessary guideposts for long-term planning and investment decisions. The effect upon gas common stock prices has amply demonstrated the extent of investor discouragement with the lack of regulatory progress, and pipeline equities have declined about 20%.

The Refinery Situation

In our report last year we told of the great amount of capital expenditures being made throughout the world by the refinery divisions of the major oil companies —probably averaging $800 million annually. With the exception of Continental United States this pace is continuing, and in many places, especially in western Europe, is being accelerated.

As has been pointed out before, the domestic companies several years ago embarked upon an active program of modernization and expansion. As a result, it is estimated that by the end of 1959 we will have domestic operable refining capacity of some 9,865,000 b/d vs. anticipated average runs of some 8,112,000 b/d. The current 21.6% margin is high when compared with the average of about 14.5% for over the years 1945-1957 and in large measure accounts for the weakness in refined product price.

Prices of crude oil and refined products have been under varying degree of pressure throughout the world for some two years due to excessive supplies and competition for the available business. Markets abroad have felt the weakening effects of reduced imports of crude into the United States. Here at home strong efforts are being made to alleviate the situation through voluntary curtailment of production and refinery operations. Higher fuel oil prices in the late winter and early spring reflecting the severe weather gave some measure of relief early in the year, but prices for petroleum products failed to hold, and at this time they are generally below the year ago level.

Economists concerned by the low level of product prices have investigated numerous possible causes and have concluded that the best single correlation exists between refined product prices and the amount of excess refining capacity—i.e., the greater the excess capacity the lower is the price level. The latter, in turn, leads to a period devoid of major expansion since the return on refinery investment does not justify the application of new funds. In time, expansion of demand absorbs most of the idle capacity, product prices strengthen, and revived investment in refining facilities is again warranted by rising earnings and need for more capacity to meet anticipated future demand. The cycle then is repeated.

The 1958-1959 period appears to mark the low point of the cycle. Absence of satisfactory earnings and ample capacity has shut off almost all refinery construction although modernization and improvement continues. There is now no major domestic refinery expansion in progress. The maximum practicable level of refinery operation for the nation as a whole is in the low 90's when shutdown for maintenance work, etc. is considered. Thus, as the domestic industry reaches 90%, product prices should strengthen materially and plans for new refinery expansion revived.

Assuming demand in the United States expands at a 3½-4% annual rate, domestic refineries should operate at approximately 90% in 1962. Product prices should begin to improve before 1962, possibly in late 1960 or 1961. Therefore, refined product prices are now probably as low as they are likely to go unless of course, general business activity declines sharply.

As it takes from 25 to 36 months to build a modern refinery, we can expect to see considerable activity resumed in the United States by 1962 preparing for the anticipated normal growth in demand, which by 1965 may well approach 10 million b/d.

Abroad an entirely different set of circumstances prevails. The demand for petroleum products outside our country has been growing very rapidly during the past decade. The greatest growth has occurred in Europe since the war, especially in western Germany. This is expected to continue for ten or more years at the rate of about 7½% annually, a lesser rate than during the past decade when the rate of gain was stimulated by postwar reconstruction. Most of the increase in tonnage in Europe has been in industrial fuel, although sales of gasoline and other products are showing large percentage gains. The industry is planning also for a big expansion in the use of oil for residential heating, a market only now being aggresisvely exploited. The population of Europe exceeds that of the United States and if this usage becomes popular its impact on petroleum consumption could be tremendous. We have heard it said that during the next 20 years the growth in the demand for petroleum products in Europe may well equal our own experience since 1940.

While it is true that the refining capacity of the free world has more than doubled since 1949, more than 50% of this capacity is located on the North American continent. As contrasted with the surplus in the United States shortages exist in varying degrees in most other countries.

Major refinery construction projects are under way throughout the world. Some of these will be completed this year. The greater portion of this construction is being undertaken by the various international oil companies, although in some instances, such as in Austria, Brazil, India, Sicily, Syria and Yugoslavia, construction is being financed in whole

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or in part by the host governments.

There is a definite trend in the United States and abroad toward locating refineries in marketing areas rather than in producing areas as was the general rule formerly. The refinery located near a consuming area can tailor its output and size to fit the requirements of its market as closely as possible. Cost of crude delivered to a refinery is lower than the cost of delivered refined products moved in lesser volume over a great distance. Furthermore, the problems of disposing of the various products such as residual fuel oil, coke, etc., are minimized. In addition to the cost factor, there is a monetary exchange advantage to minimizing imports of more valuable refined products. The growing pride in promoting internal industrial expansion adds a political aspect to refinery location in most countries. Finally, the political stability of a country must be considered in refinery location. Fortunately, most of the large consuming areas enjoy more stable governments than many of the producing areas of the free world.

This year marks the 100th anniversary of the commercial oil industry in the United States. Over the years methods of production, refining and marketing have kept pace with the exacting demands for energy fuels. Today, only usage limits the variety of petroleum products which can be produced by the modern refinery. Of late there has been a slowing down in the development of higher compression ratios in the internal combustion engine and a corresponding return to simpler fuel products has begun to a limited extent. This combination has favorable implications as the industry may not be required to spend as much money to keep abreast of requirements.

In conclusion, the current outlook for most refiners is not favorable compared to that of many other industries. On the other hand, the situation is not likely to deteriorate further and the basic economics are beginning to work in favor of the refiner. Clear cut evidence of improvement may not be evident in income statements for several years.

Respectfully submitted,

OIL AND NATURAL GAS SECURITIES COMMITTEE

Edmond N. Morse, Chairman
Smith, Barney & Co., New York

Ralph D. Baker
James Richardson & Sons
Winnipeg

Bayard Dominick
Dominick & Dominick
New York

G. Shelby Friedrichs
Howard, Weil, Labouisse, Friedrichs & Company
New Orleans

L. Emery Katzenbach, II
White, Weld & Co., New York

William G. McKnight
Eastman Dillon, Union Securities & Co., New York

Frederick L. Moore
Kidder, Peabody & Co., New York

Joseph R. Neuhaus
Underwood, Neuhaus & Co. Incorporated, Houston

Allen J. Nix
Riter & Co., New York

Myron F. Ratcliffe
National Boulevard Bank
Chicago

Paul A. Sellers
The Illinois Company Incorporated, Chicago

Stuart F. Silloway
Harriman Ripley & Co., Incorporated, New York

Johnson, Lane Sells Merry Bros. Issue

The Johnson, Lane, Space Corp. and associates are underwriting 160,000 shares of Merry Brothers Brick & Tile Co. common stock, of which 20,000 shares are being offered to directors, common stockholders and employees of the company at $7.41 per share, and the balance of 140,000 shares are being offered publicly at $7.80 per share.

Net proceeds from the sale of the common shares, together with proceeds from certain long-term debt, will be used by the company to defray expenditures in connection with the modernization and expansion of its facilities.

Merry Brothers Brick & Tile Co. and its predecessors have been operating a brick business continuously in Augusta, Ga., since 1899. The company mines clay from its lands near Augusta and produces and sells red brick, hollow tile and similar unglazed structural clay products. Its present plant is now capable of producing approximately 150,000,000 brick or equivalent ceramic products per year. If additional equipment is purchased, the company's production capacity will be increased by 36,000,000 brick per year. The markets for the company's products are principally in Georgia, South Carolina and Florida. However, a substantial portion of its products are shipped to Ohio, Kentucky, Tennessee, Alabama, North Carolina and Virginia, and occasionally to more distant points.

For the eight months ended Aug. 31, 1959, the company and its subsidiaries had consolidated total income of $2,794,664 and net profit of $300,099, equal to 71 cents per common share. Upon completion of the current financing, outstanding capitalization of the company will consist of $1,500,000 of long-term notes; 6,000 shares of 5% preferred stock; 560,000 shares of common stock, $2.50 par value; and $118,506 of sundry debt.

Form Consolidated Inv.

NEWARK, N. J.—Consolidated Investment Co. has been formed with offices at 24 Stengel Avenue to engage in a securities business. Robert Lowenstein is a principal of the firm.

John D. Gates Opens

CARMEL, Calif.—John D. Gates is conducting a securities business from offices here. Mail address is Box 352, Route 3.

J. L. Hain Opens

READING, Pa.—Jacob L. Hain has formed J. L. Hain & Co. with offices at 451 Penn Square to engage in a securities business.

George A. Hurty

George Alfred Hurty passed away Dec. 5 at the age of 88. He was formerly a member of the New York Stock Exchange, and a partner in Henry Clews & Co.

IBA Past Presidents

1958 - 59

William D. Kerr

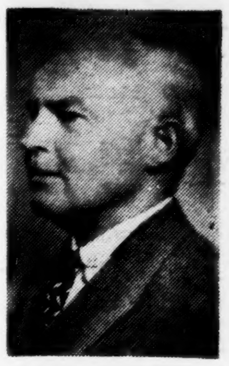
1957 - 58

W. C. Jackson, Jr.

1956 - 57

Robert H. Craft

1955 - 56



George W. Davis

1954 - 55

Walter A. Schmidt

1953 - 54

T. Jerrold Bryce

World-Wide Secs.

NEWARK, N. J.—World-Wide Securities, Inc. has been formed with offices at 24 Commerce Street to engage in a securities business. Officers are Steven J. Kowitski, President; Frank Petriello, Secretary-Treasurer; and Lillian Petriello, Vice-President.

Form Speculative Secs.

WILMINGTON, Del.—Speculative Securities Corp. has been formed with offices at 915 Washington Street to engage in a securities business. Officers are Robert W. Ogle, President; Chester C. Halsey, Vice-President; and Anne Yonco, Secretary-Treasurer.

An Economic Agenda For the United States

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the budget. There are things government should undertake to foster development of our human and natural resources, particularly in education, research and in necessary public facilities. They should be neither the most things nor the least things; they should be the right things. The guide should be the highest coincidence of the private and the public interest.

It is interesting today to reflect on the myriad uses to which the public fisc is being put—the vast collection process of some $80 billion and the redistribution of a large share of this vast income in programs of various sorts throughout our country.

A balanced budget is no *summum bonum* of fiscal policy. It is, however, a useful instrument of self discipline, to keep government from expanding without the people's express consent. It is a means to an end.

Deficits will appear, of course, when recession shrinks revenues. But deficit financing cannot in good conscience be carried over into the good years, when we should generate a surplus to pay down the recession-created increase in the national debt.

To hear voices inventing specious reasons why we need not live within our means, even in prosperous times, is dismaying, but a challenge we must deal with effectively.

Suggests Four Steps

In order to improve Federal expenditure control, it seems to me, we should take at least these four steps:

(a) We need new legislative procedures that will enable members of Congress to see, at any time, what impact their actions on individual money bills will have upon the total budget. A properly conceived single appropriation bill might well achieve this purpose.

I know members of Congress have indicated this has been tried and will not work. If this is so, if this is their conviction, the matter must not stop there.

The members of Congress have an obligation to adopt an alternative that will work, and it is better than merely adding up at the end of the session all the figures that were done piecemeal over many, many months.

(b) Each budget should indicate the nature of expenditure trends so that the built-in expenditure momentum can be clearly seen and dealt with.

Like the iceberg problem, you start in the first year with $5 million on a $230 million project and that amount is easily absorbable in the first year; but as you go forward it automatically sprouts and fills up and absorbs increased revenues at a rapid rate.

(c) The President should have the "item" veto.

(d) A continuing citizen body of the Hoover Commission type should be created to recommend ways to get greater efficiency in government operations.

Much has been accomplished but much remains to be done. A watchdog committee of that sort could perform a useful gadfly purpose in the field of operations which Mr. Walter Maynard has referred to in the Federal Taxation Committee report to the I.B.A. membership at large. I am simply going to say that the problem before us as a nation appears to be: Will the nation benefit more from a tax reduction or from new government spending programs?

I think perhaps we have reached the point where we believe, except for a few high priority spending programs, in the Space Area, and in research and in certain aspects of education, that we should screen methods of holding expenditures so we can make some adjustments in our revenue system which are clearly a drag upon the economic growth we seek.

The only reason we have not achieved it is because we, as a nation, have been unable to arrive at a consensus. There is a divergence of opinion which Mr. Maynard reported and this is, of course, an indication of the tremendous job of conciliation which is laid upon the Congress. If any of us advocates any particular tax measure, let us be sure it is we and not somebody else who makes this thing, which is so important to us, jibe with the broad national interest. If there is doubt, let it be we, ourselves, rather than someone else who points it out and evaluates it.

Demagoguery in Credit Policy

The third point on this agenda that I want to talk about is in the area of credit policy.

Money, credit and interest rates will never cease to be fascinating subjects.

In economic policy discussions in our country today, they remain a fertile field for demagoguery. The last session of the Congress was, in some respects, quite discouraging in its lack of understanding and judgment in this broad field. The disposition to fiscal and monetary escapism manifested there was proof of the need for an intensive effort at wider understanding in this murky and esoteric field.

I was interested in my conversations in Poland how many times the Minister of Finance and head of the Central Bank referred to the theme: "We cannot hope to operate a socialist economy without sound money."

I thought to myself, "Well, if a regimented, controlled economy cannot hope to operate without sound money, how in the world can our kind of a system, with all the dimensions of freedom employed in the market system hope to operate efficiently without sound money?"

I think we should stop spending so much time explaining the need to relieve ourselves of the discipline of the monetary system and realize it is an essential to economic health in our country.

In this area there are some ideas which I think we should do our best to make clear.

(a) It is probably true, first, that we have embarked upon a period of some considerable duration during which interest rates, including future recession years, will average noticeably higher than they were in the Depression Decade of the 1930s, the controlled era of the war and postwar years of the 1940s and early 1950s. The prodigious demand for capital all over the world will be added to the needs at home. The demands for capital at home and overseas, it seems to me, makes this general proposition highly likely.

(b) Trying to run a prosperous economy on depression levels of interest rates can only lead to the speculative excesses that breed recession or to inflation of the money supply and direct controls seeking to avoid this unhappy result.

You cannot run a high level economy on depression interest rates; and yet on this simple fact we have not been able to be persuasive enough. That is a job for all of us.

(c) Despite a disposition in some quarters to make the Federal Reserve authorities appear as the original versions of the

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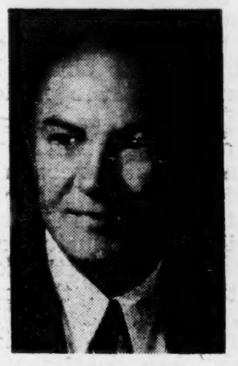
IBA Past Presidents

1952 - 53



Ewing T. Boles

1951 - 52

Joseph T. Johnson

1949 - 50

Albert T. Armitage

1948 - 49

Hal H. Dewar

1947 - 48

Julien H. Collins

1946 - 47

E. Hopkinson, Jr.

An Economic Agenda For the United States

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ugly American, we must urge strongly and persuasively the need for an independent central bank.

Only thus can we maintain the proper set of checks and balances in this part of our government. I do not see any need for new coordinating machinery in Washington to bring the Federal Reserve System more closely in touch with other government departments. There is certainly no lack of opportunity for the central bank and the Treasury and others to talk.

It could too easily, in the wrong hands, become a coercive device in the direction of perpetually easy money.

The independent role of the Federal Reserve System could be reemphasized, for example, by bringing the Chairman of the Board of Governors to full equality with the Secretary of the Treasury in such matters as statutory rate of compensation.

(d) The Federal Reserve System should continue to be responsible to the Congress as at present. However, the statutory mandate by the Congress to the System should be cast in strategic and not tactical terms. This is now done explicitly in the Federal Reserve Act and implicitly in the Employment Act of 1946.

It would be a mistake, in my opinion, for Congress to give tactical directions, as it considered doing in the last session with regard to the specific manner in which open market operations are to be conducted.

(e) While properly a matter of fiscal policy, it is right to emphasize in this context the need for Congress to remove the 4¼% ceiling on longer-term Treasury borrowing in order to permit better management of the national debt.

This is an interesting point. Congress has already recognized the facts of life in this general field by its actions in lifting statutory ceilings on housing loans and savings bonds. With some help from the outside, this next logical step, held back by the last Congress in a spell of fiscal emotionalism, can perhaps be taken next year.

Pleads for More Competition

The fourth item on my agenda is competition in economic policy.

One of the costliest heritages of the Depression Decade of the 1930s is the disposition to abridge competition and to defend departures from it as necessary in the national interest. Certainly, some of these interventions had a valid basis and some still do. But, by and large, our profession of belief in a competitive economy tends to outrun our performance. Don't fool yourselves: this matter is carefully observed and reported elsewhere in the world, on both sides of the Iron Curtain.

As was said to me the other day with respect to another matter: "Everybody smokes the peace pipe; nobody inhales."

I think it is obvious that investment bankers know what competition is.

I am finding, in the commercial banking field, we also know what it is.

We need to remind ourselves of this fact, for, in terms of economic theology, there is probably a bit of the monopolist in all of us.

From the viewpoint of economic policy such a reaffirmation of belief in the competitive basis of our economic society leads to several possible considerations:

(a) In agricultural policy we need to move resolutely toward a greater use of market forces in pricing and resource use. The mandatory price support program, in existence for more than a quarter of a century, may now be judged to be a costly failure. It has failed to face up to the problems posed by the onrush of farm technology. It must be fundamentally modified so that the price support mechanism will move crops into regular marketing channels and not into indefinite government storage.

As an accompaning interim step we should substantially expand the conservation reserve program.

(b) In transportation policy we must get up the courage to abandon some obsolete ideas and accord competition new emphasis in that over-regulated field of activity. I am looking forward hopefully to the upcoming report of the Secretary of Commerce on this subject.

(c) In business practice it would be constructive to see further emphasis on competitive pricing. Some observers have commented on a tendency for competition to range vigorously in many areas, but much less so in pricing.

Pricing for volume is the principle that built American business. It is still a good principle.

(d) In labor-management relations, the counterpart of pricing for volume is compensation based on production. Overpaying ourselves for what we produce leads to the rising costs that make for higher prices.

The power to command pay for work in excess of productivity has been clearly demonstrated in the postwar period. This remains a vital matter for action on both private and public fronts. The increase in our standard of living depends on whether we produce more for less, or, as we have shown a tendency to do in recent years, merely to produce more for more.

I would expect that my friend, the Secretary of Labor, when he addresses the IBA Meeting would go more fully into this field which, perhaps, financial people have less competency to discuss than he would have.

(e) In trade matters we will be well advised to hold to our national policy of gaining the benefits of competition not only within but across national borders, consistent with national security considerations.

The final point of my agenda is foreign economic policy.

A New Discipline Facing Us

In the last two years, Americans have discovered the balance of payments. The heavy deficit last year, with its considerable efflux of gold, and the prospect of a larger deficit this year have precipitated considerable discussion, ranging all the way from panic to complacency.

When we speak of gold my mind goes back to an incident in Washington where, at a dinner table sat a very delightful lady from Kentucky. She was having a conversation with a gentleman from Texas about the relative merits of their two states.

The lady from Kentucky thought she had an unanswerable point when she said, "Well, of course, in my state, we have something you don't have in Texas or in any other state. We have over $20 billion of gold out at Fort Knox."

The Texan had encountered most everything, but that one floored him for a moment.

She saw that she had scored and she moved in on him with this remark: "Yes. There is so much gold in Kentucky that we could take it and build a fence three feet high and three feet wide all around the State of Texas."

This, the Texan, thought, was unbearable.

Finally, he marshaled his reserves and said, "Lady, you go ahead and build your little old fence, and, if I like it, I'll buy it."

It is true that some temporary factors affecting both imports and exports have been operating in the last year or so to magnify the problem.

The plain fact, however, is that we have a problem. It is posed by the acceleration in the tendency for dollar out-payments to exceed dollar in-payments. But it is more than a problem. It is perhaps a new source of discipline in our economic affairs.

Before the last year or two, I suppose there were not one thousand people in Washington who watched particularly the condition of the gold reserves.

As a matter of fact, when George Humphrey became Secretary of the Treasury in 1953 he had it counted to see if it was actually there.

There is a new theme: We cannot maintain balance in our international accounts if we fail to maintain economic balance at home.

To this end, it seems to me, several matters commend themselves to our thinking and attention.

(a) The government has already taken the initiative in the matter of getting discrimination against American goods removed in those markets of the world where no longer the balance of payment basis for their discrimination exists. Mainly, however, we must put great emphasis upon competitive costs and prices by the union leaders and managers of our industry. It is a tremendous responsibility.

This will make it possible for American products to hold their own at home and permit us to maintain and build up our export surplus on current account, now running at about $3 billion annually. We must maintain and expand this export surplus on current account, if we are to do all the other things in the field of the military and economic assistance, investments, tourism that we are now doing.

(b) Defense of the currency through sound monetary and fiscal policy is essential if confidence in the dollar is to be maintained and thus discourage wholesale attempts to convert foreign dollar claims into gold.

(c) Deliberate efforts to narrow the balance of payments through shrinking the volume of imports by new trade restrictions should be avoided. The better approach is to seek via vigorous merchandising efforts an expansion of exports by attention to price, quality and variety of goods offered abroad.

(d) Interference with private American investment abroad, through some kind of Capital Issues Committee, should be rejected as a means toward better balance in our overseas accounts.

(e) Government aid programs of various kinds can properly be examined for adjustments to ease dollar out-payments. These programs are, in a sense, emergency and extraordinary additions to balance out-payments, out-go categories and, therefore, are more properly subject to reconsideration.

However, the modifications along "Buy American" lines should be regarded as actions taken in exceptional circumstances, such as the postwar dollar discrimination against American goods in Europe, and subject to review and revision under other circumstances.

No economist could ever subscribe, really, to any basic doctrine other than, "Buy in the

cheapest market and sell in the dearest market."

That is the most fundamental principle of trade.

But there do come periods when, because of these exceptional and emergency factors, a period of digestion and adjustment may be required. Nor should any of these actions taken by the United States be regarded by other nations in their improved circumstances with regard to foreign exchange reserves, as a basis for retrogression in their own trade and payments policy.

I have just one word of conclusion and that is this: If the items on this agenda seem to be valid and important matters for consideration for the development of a consensus, then what are we going to do about it?

One of the difficulties, I think, is that most of us perhaps hold a more long-term—which I tend to equate to a conservative—point of view as against the jumping in and solving every problem today or tomorrow regardless of the consequences.

I read with a great deal of interest the names of the committees in the Investment Bankers Association. I would like to suggest that perhaps there might be room for one more committee, an over-all IBA committee, whose purpose would be to further adult education broadly in this whole area of money, credit, and interest rates, as they bear on the problem of achieving economic goals in America.

It seems to me that all of us have a tremendous obligation here beyond our day-to-day work as is evidenced in the IBA committee reports.

We have the injunction of the distinguished Englishman, Alfred North Whitehead, when he said, "A great society is a society in which its members of business think greatly of their functions."

*An address by Dr. Hauge before the 48th Annual Convention of the Investment Bankers Association of America, Bal Harbour, Fla., Dec. 1, 1959.

Report of IBA Nuclear Energy Committee

Continued from page 31

figures are equivalent to 1,500 and 3,500 tons respectively of uranium oxide. To guarantee the inventory and fuel burnup for 20 million kilowatts, by setting aside or earmarking the uranium needed for a 20-year consumption, would call for 100,000 tons of uranium oxide. Even if we double this figure, by taking into account the applications of atomic energy other than electricity, we still come to the conclusion that there is going to be a temporary gap between production and demand of uranium. It is quite probable that the burnup needs for the nuclear capacity in operation by 1970 for electricity and other peaceful purposes, plus the inventory needs of new capacity and the "pipeline" requirements leading to and from the reactors, will absorb the full output of the mills at the presently contemplated levels. Until then, the best interests of all nations will be advanced only if a healthy uranium mining and milling industry is maintained.

[*EDITOR'S NOTE—Subsequent to the date of this report, the AEC revised its agreement with Canada. Because of this the Committee prepared the following addendum*]

On Nov. 6, after this report was written, the United States Atomic Energy Commission announced that it would not exercise its options but agreed to stretch-out arrangements with Canada to purchase uranium concentrates in the post-1962 period through Dec. 31, 1966.

The new plan provides for a single contract between the Commission and Eldorado Mining & Refining, Ltd. instead of the several contracts which had existed heretofore, each covering an individual operator in Canada.

The total pounds to be delivered and the prices to be paid under existing contracts remain unchanged. In order to help the companies meet their financial obligations, advance payments of $2.50 will be affected for each pound deferred at approximately the same time as delivery would have been made, had there been no deferment. Similarly, the United Kingdom, which receives about 10% of current uranium shipments, has offered to make an additional advance payment of $1.50 per pound on any portion up to 16 million pounds of the amount covered by their contracts which can be deferred into the period January 1, 1965 througn Nov. 30, 1966. It is likely that the stronger companies will buy several contracts and thus assure themselves of continued operations.

The agreement reached will undoubtedly be mutually advantageous and it certainly is a rational solution to the temporary gap referred to in this report between production and demand of uranium.

Our Reactor Program—
Its Added Diversification

The total budget of the AEC for the fiscal year 1960 allots somewhat more than $400 million for the reactor program. This total includes $90 million for the Government reactor program in a number of reactor prototypes such as the pressurized water reactor, the boiling-water reactor, the fluid-fuel reactor, the fast power-breeder reactor, the sodium-graphite reactor, the organic-moderated reactor and the gas-cooled reactor. An additional amount of close to $20 million permits the AEC to assist in the civilian power construction program under cooperative arrangements with such companies as: Yankee Atomic Electric Company; the Consumers Power Company of Nebraska; The City of Piqua, Ohio; Northern States Power Company; The Carolinas-Virginia Nuclear Power Group; The East-Central and Florida-West Coast Power Groups; The Philadelphia Electric Company, and others. The remainder of the AEC appropriations under the reactor development program of close to $300 million goes to the naval propulsion reactors, the Army power reactors, the aircraft propulsion reactors, the missile propulsion reactors, etc. There is no doubt that our country still retains the lead in its diversified reactor program and that we have the greatest number of prototype reactors in operation.

In the civilian power reactor program, industry has more than matched the Governments assistance and some companies are in fact proceeding with their construction work without any Government financial assistance whatever. The studies on homogeneous reactors, in which the fissionable material is either in a solution or in the form of a slurry, have shown that some of the technical problems associated with their construction and operation are greater than anticipated. As a result, developmental work on this family of reactors has been slowed down considerably and further effort is being concentrated on the heterogeneous reactors, in which the fissionable materials are in the form of solid fuel elements. The heterogeneous reactors form a vast family and the available scientific talent can best be channeled at this time into the ultimate successful de-

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IBA Past Presidents

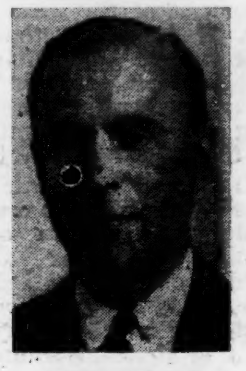
1945-46

Charles S. Garland

1943-44-45

John Clifford Folger

1942-43



Jay N. Whipple

Report of IBA Nuclear Energy Committee

Continued from page 79

velopment of the most promising ones. It is likely that research work on an extensive scale on homogeneous reactors will only be resumed after some reactors using solid fuel elements have begun to deliver economic power.

The technological emphasis shifted in 1959 towards the development of an organic-moderated reactor and of a closed-cycle gas-cooled concept, built by Atomics International, a division of North American Aviation, and General Atomic, a division of General Dynamics. At the end of August this year, the AEC signed contracts with the Philadelphia Electric Company (and 54 associated utilities) and General Dynamics Corporation, authorizing the construction of an advanced high-temperature gas-cooled plant. This plant will have a graphite-moderated helium-cooled reactor designed to produce 40,000 kilowatts of electricity and is expected to be completed by October 1963. The plant will be constructed by Philadelphia Electric on its utility system at Peach Bottom, York County, Pennsylvania. The Commission will reimburse General Atomic for the cost of research and development up to $14.5 million and will waive $500,000 fuel use charges. The Commission will also waive $2 million in fuel use charges through the first five years of operation under the Philadelphia Electric contract. The nuclear power plant is expected to cost $24.5 million.

The Atomic Energy Commission chose the H. K. Ferguson Company to build a second gas-cooled atomic experimental reactor. This reactor which is to be installed at Oak Ridge, Tennessee is being designed by Kaiser Engineers and Allis Chalmers Manufacturing Company. This reactor and the one just described above will give us valuable experience in gas-cooled reactors.

In 1959 the AEC also initiated a long range program to evolve effective thermal breeder* reactors which would make full use of the latent energy in thorium. As this Committee has expressed in previous reports, thorium, unlike uranium, does not have a naturally fissionable isotope but, when bombarded with neutrons, thorium is transmuted into uranium-233 which is a fissionable material just as valuable as uranium-235 or plutonium. Such a program offers no threat to uranium for the foreseeable future, because it will take many years before enough uranium-233 is produced to fuel new reactor capacity on an important scale. Consolidated Edison's reactor at Indian Point, near Peekskill, New York, to be completed in 1961 will make use of this principle, although it will not be a breeder. It is worth-while repeating what the Committee stated in last year's report, namely, that the true future of atomic energy lies in breeding. Without breeding, atomic energy at best would be comparable to oil—not even to coal—and our energy reserves in oil are only a few percent of those known to exist in coal. This analysis holds for the world at large. Fast neutrons, as opposed to slow or thermal neutrons, have the nature-given ability to convert uranium-238, which makes up most of the natural uranium, into plutonium. The Detroit Edison reactor to be completed in 1961 will make use of this principle. Evidently, the use of plutonium as a reactor fuel is indispensable if the world uranium reserves are to be used to their fullest advantage. The abundance of uranium for the next decade, to which we have referred earlier in this report, should not preclude this nation from investigating the problems of breeding plutonium or uranium-233 as two additional fuels for the more distant future.

*A breeder reactor is one in which more new fissionable material is produced than is consumed in the core of the reactor.

Capital Grants—Cost of Atomic Energy

The present harmonious relationship between the AEC and the Joint Congressional Committee on Atomic Energy augurs well for the future. Next year, the AEC will undoubtedly seek authority to make capital grants of perhaps up to 50% of the total cost of nuclear power plants constructed by public and private power organizations. However, it is probable that such assistance will be limited to a maximum of 75% of the difference between the capital costs of a nuclear and a conventional plant of the same size. Such a capital grant-assistance program would very likely induce the more hesitant utilities to embark on the construction of new reactor prototypes and thus hasten the day when atomic energy will become competitive with conventional electricity.

Westinghouse took a bold step last September in offering nuclear plants at guaranteed plant capital cost, plant capability and fuel burnup. This step will undoubtedly greatly assist in reaching the goal of competitive power.

Nuclear Superheat

Although nuclear fuel technology has been further advanced in 1959, the point has not yet been reached where atomic energy in any nation is competitive with conventional energy. It will take five to ten years before atomic energy is competitive in the high cost areas of the United States.

One way to lower the cost of electricity made from the atom is to go to superheat. Particular emphasis is now being placed on nuclear superheat. Because of the danger of a hot spot in a reactor with the consequent danger of meltdown of a fuel element and the corresponding release of radioactive fission products in the cooling systems, reactors have been operated at rather conservative temperatures with the resulting low overall thermodynamic efficiency of about 25%. This of course does not compare with the efficiency of 40% obtained in some of the most modern conventional plants using supercritical pressures and elevated temperatures. Companies such as Combustion Engineering-General Engineering Corporation, General Electric, Westinghouse, are engaged in the study of nuclear superheat. Any increase in the overall thermodynamic efficiency—and this is extremely important—will automatically result in a proportional lengthening of the lifetime of the fuel elements in terms of useful energy produced, while also reducing capital costs per kilowatt of installed capacity. General Dynamics promises efficiencies of at least 32% in their closed-cycle gas-cooled reactor concept now being developed. Competitive atomic energy definitely will not be achieved without such high efficiencies. When one or more types of reactors are identified as the most promising, they will be mass-produced and this will further lower the capital costs but, as previously stated, they are never likely to be as low as in conventional plants, although fully competitive from an economic standpoint.

On the Greater Capital Costs of Nuclear Plants

It is perhaps appropriate at this particular juncture to call attention to the fact that atomic energy is not the only industrial field faced with higher capital costs in the future for a given amount of power or output. By and large, industry is using more and more automation. But automation in industry can be justified only if it is economically competitive and this, too, applies to atomic energy. In other words, the higher fixed charges of atomic plants or automation devices have to be offset by savings in either fuel or operating expenses. It is apparent, therefore, that in the United States, as in the rest of the world, capital needs will probably grow faster than the national economies as expressed by their Gross National Product.

Reactors for Process Heat and Ship Propulsion

The AEC and Industry have lately begun to develop a real interest in the construction of reactors for industrial process heat where very high temperatures are not needed. The Commission, in the early part of September of this year, awarded Sargent & Lundy a contract for architect-engineering services for an experimental low-temperature process heat reactor. The proposed reactor would be a pressurized water type, which would produce approximately 40,000 kilowatts of heat, at a site yet to be determined. Earlier this year, the first nuclear reactor to produce steam for a paper mill went critical at Halden, Norway; it is a 10,000

IBA Past Presidents

1939 - 40 - 41

Emmett F. Connely

1938 - 39

Jean C. Witter

1936 - 37

Edward B. Hall

kilowatt-heat reactor, using natural uranium and heavy water as moderator. This was built primarily, however, as an experimental facility. When we think that approximately one-third of our national energy input goes into the production of industrial heat, it is evident that industrial process heat may in time even surpass electricity as a field for the use of atomic energy. Electricity—not a source of energy per se but a convenient way to extract the energy contained in coal, oil and natural gas — covers only about 15% of our national energy needs. This percentage results from the fact that the total installed electric capacity in the United States which is 140 million kilowatts, last year produced approximately 650 billion kilowatt-hours. At 10,000 BTUs per kilowatthour, or an average efficiency of 32.4%, this corresponds to 6,500 trillion BTUs. In the United States, the total energy input from all sources is about 43,000 trillion BTUs.

The NS Savannah was launched on July 21 of this year. This is a prelude to nuclear powered tankers which will be operating within 10 years.

Atomic Energy for Other Purposes

The Department of Interior and the Atomic Energy Commission also signed an agreement in October for a cooperative project for the development of a nuclear powered saline water conversion plant. This plant, which is expected to be completed by 1962, is being developed by Sargent & Lundy and The Fluor Corporation. Its capacity will be 40,000 thermal kilowatts.

Much publicity appeared in 1959 regarding the use of atomic devices for the release of shale oil and the development of harbors, but much more research is needed before atomic energy can be used for such purposes. In time shale oil necessarily will become the basis for our domestic supply of crude oil and will become the basic raw material for the chemical industry. It is very likely that atomic energy will be helpful here.

Chemical Reprocessing of Spent Nuclear Fuels

In the early part of 1957, the Commission made known the charges it would make for reprocessing of spent nuclear fuel. All reprocessing today is done in the AEC plants. It is the Commissions policy, however, to remove itself from this field when private industry is ready. It is gratifying that several companies have begun to show an interest in this and it is likely that in the next year or so at least one company will embark on the construction of a reprocessing plant. Such a company might either be a fuel element fabricator, which would then sell reactor cores to utilities and buy them back after the fuel has been used up. Or it might be a chemical company which would then reprocess the spent nuclear fuel at a given cost. The present AEC prices for reprocessing are somewhat unrealistic and it is unlikely that any private reprocessing plant could operate at the low figures quoted by the Commission. If we are, however, to have a private atomic energy industry in time, it will be essential for the utilities to use the services of such private reprocessing plants, even though the cost to the utilities may be higher than with the Commission in the early months of operation.

Atomic Energy for Food Irradiation

Progress has been excellent in 1959 in the industrial use of radioactive isotopes and radiation, two valuable byproducts of atomic energy. One very important aspect in which there is much interest is the use of ionizing radiations for the preservation of foods. The government's interest in the food irradiation program is represented by the AEC in its various laboratories at Argonne, Brookhaven and Oak Ridge, together with the Department of Defense and the Department of Agriculture. American Can, General Electric, High Voltage Engineering, Swift & Company, Kraft Foods and others represent industry in this attempt. This effort today is of national and international scope. The AEC's program for high intensity radiation development called for the construction by Curtiss-Wright Corporation of a multi-megacurie cobalt-60 high-intensity food-irradicator to be built in California as a pilot plant for use by the U. S. Army Quartermaster Corp in its radiation preservation of foods. In the latter part of October of this year, the Army decided, however, to cancel the $7.5 million project on which more than $1 million had been spent on design planning More research on toxicity and physiological effects of irradiated foods are evidently needed before proceeding with actual construction work. This is the second time that construction of a food irradiation facility has been postponed and is also proof that radiation and its interaction with matter needs improved scientific understanding.

The Commission originally planned in 1956 to have Kaiser Engineers build a food irradiation reactor for the Army's use. This project was abandoned in favor of the cobalt-60 food irradiator just mentioned and was based on a system developed by the Internuclear Company of Clayton, Missouri, which would produce intense gamma radiation from indium sulphate in a water solution circulated in a reactor. The indium becomes intensely radioactive under the neutron bombardment and the solution is then circulated away from the reactor and its neutrons to a food irradiator into which the food is placed for as long as is necessary.

In the meantime, the AEC plans to use sodium-24 for industrial irradiation at Halam, Neb., employing for this purpose a loop from the sodium-cooled graphite-moderated power reactor to be built by North American Aviation. The plan is to put radioactive sodium through a series of piping pancakes in an adjoining room in which truckloads of wheat and meat can be irradiated. It is believed possible to pasteurize several hundreds of tons of food per day by radiation at a cost of a very small fraction of a cent per pound.

Should the tests prove successful, they will inject new enthusiasm among some of the industrial companies that have cut back on research and development efforts in the radiation preservation of food products since the end of last year. Such companies as Swift & Company, National Biscuit and Thomas J. Lipton, Inc. objected to either the smell or bad taste which apparently resulted from some of the tests.

The effect of radiation on food is really to kill the microorganisms which account for the spoilage of food. However, microorganisms require strong doses of irradiation to be completely destroyed. Whereas the lethal dosage for man is about 800 rep (roentjen equivalent physical), the required dosage to destroy microorganisms may be one to four million rep. In food sterilization, however, it is not necessary to reach very high dosages and the whole problem may be much simpler and the cost much less. Slightly irradiated food may then be stored in refrigerators for long periods of time and this might very well increase the demand for more cold storage space. This apparently paradoxical result of having atomic energy boost the sales of refrigerators is found in other applications of atomic energy. No special utilization of atomic energy will displace the existing non-nuclear application; rather it will supplement it or assist in its further development.

Only time will tell what the cost of providing the radiation is going to be. Because of the large number of experiments yet to be performed, final conclusions may not be reached for a few years. It is therefore difficult to say when radiation processing of foods may begin on a commercial basis.

The International Atomic Energy Agency

The International Atomic Energy Agency, a specialized agency of the United Nations, was cre-

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IBA Past Presidents

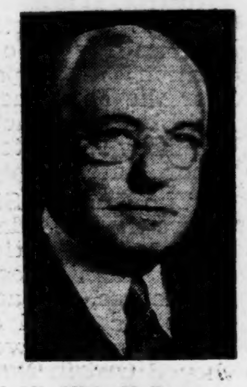
1935 - 36

Orrin G. Wood

1934

G. W. Bovenizer

1931 - 32



Allan M. Pope

1930 - 31

Henry T. Ferriss

1929 - 30

Trowbridge Callaway

1925 - 26

Ray Morris

Report of IBA Nuclear Energy Commission

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ated in the fall of 1957 in Vienna, Austria. It is now fully operational and is doing excellent work in counselling the underdeveloped nations in preparing themselves for the day when atomic energy will become practical for them. Its primary role is to assist, guide and coordinate.

The United States has signed more than 40 bilateral agreements with other nations to assist in their atomic research programs. Of course, this activity must precede the actual construction and operation of power reactors. It is hoped that in time these bilateral agreements will be transferred to the International Atomic Energy Agency so that it will become the ultimate depository for such agreements. Certainly it was the intention of President Eisenhower through his "Atoms for Peace Program," which in turn led to the creation of the Agency, to work through the Agency with the other nations of the world. Evidence of this is also found in the fact that this country has agreed to make available 5,000 kilograms of uranium-235 to the Agency at the AEC's price for domestic sales and to match the sum total of all amounts made available to the Agency by all other nations up to July 1, 1960.

Encouragingly, the United States and Russia recently pledged themselves to a closer cooperation within the Agency.

The European Atomic Energy Community (Euratom)

In May, 1957, the six nations of The European Atomic Energy Community (Euratom) — France, West Germany, Italy, Belgium, The Netherlands and Luxembourg —announced an ambitious program calling for the construction of 15 million kilowatts of nuclear capacity by 1967. This figure was not abitrary but resulted from studies showing this amount of nuclear power is needed if the energy imports of coal and oil by the Euratom nations are to be stabilized at their 1963 level. A more modest program is now being implemented as this ambitious goal will not be reached.

In November, 1958 the Euratom nations signed an agreement with the United States in Brussels, the major objective of which is to construct one million kilowatts of nuclear capacity by 1962-63 employing reactor types developed in the United States. These plants will be financed to some extent by a $135 million loan from the U. S Export-Import Bank. Also under the agreement, the United States is guaranteeing the fuel costs and a market for the plutonium produced in the reactors for 10 years. Both the United States and Euratom have agreed to invest in equal shares $100 million over the next five years in a joint research and development reactor program.

The deadline of Oct. 20, 1959 had been set for the submission of firm plans to construct atomic plants. It had been hoped that at least six such projects would be presented and it was a great disappointment to all that only two proposals were received, one in Italy, the other one in Germany. To make matters even worse, the Italian project had been decided upon a year ago and it is referred to in this Committee's last year's report. Although statements of interest were received from several utilities, the addition of a single project only is of concern.

The most likely explanation for this state of affairs is that the temporary coal surplus in Europe, the promise of oil from Algeria, and the fact that even in Europe atomic energy is not yet competitive, have induced the utilities to postpone their decision. The Joint Congressional Committee on Atomic Energy immediately ordered a reappraisal of our international program for the development of atomic energy to determine what changes are needed. Perhaps the conclusion will be that, for the time being at least, our nation should place an even greater emphasis on research and development in the international aspects of atomic energy, at the expense of the immediate construction of reactor plants abroad. There can be no doubt, however, that Europe cannot afford for long to delay the construction of several more atomic plants.

Conclusions

Atomic energy is not yet competitive, but we are well on our way toward it. Many factors described in this report indicate that we moved quickly in this direction in 1959 The goal can only be a very few years away.

It does not appear that atomic energy will be substantially cheaper than other sources of energy as we have them today. Nor does it appear that any new source of energy will be cheap. What will make atomic energy increasingly important is that it is a new abundant source of energy. In time, the availability of energy will even transcend purely economic considerations. By 1970, atomic energy will begin to take an important place in the competitive world energy picture.

The capital needs of all nations, as a result of more advanced technologies in general and atomic energy in particular, will increase even faster than their economies and greater savings of capital will have to be encouraged.

Atomic energy will also make a large contribution to a more generous supply of food and metals. In time, only abundant amounts of energy will enable all nations to extract increasingly scarce metals from lean ores.

Abundance of the things we require to live and improve our standard of living will become more and more the keynote of atomic energy, not cheapness necessarily.

Respectfully submitted,
NUCLEAR INDUSTRY COMMITTEE

Paul F. Genachte, Chairman
The Chase Manhattan Bank
New York, N. Y.

Robert Colton
National Securities & Research Corporation, New York, N. Y.

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Wagenseller & Durst, Inc.
Los Angeles, Calif.

Thomas M. Johnson
The Johnson, Lane, Space Corp.
Savannah, Ga.

Edmond N. Morse
Smith, Barney & Co.
New York, N. Y.

Mark Sullivan, Jr.
Auchincloss, Parker & Redpath
Washington, D. C.

Hemphill, Noyes Co. to Admit Two

Hemphill, Noyes & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Stephen C. Reynolds, Jr., and Clifford Hemphill, Jr., to partnership.

Land Banks Offer Non-Callable Bds.

The 12 Federal Land Banks are offered publicly on Dec. 15. $118,000,000 of 5⅜% bonds due Oct. 20, 1960, and $85,000,000 of 5⅛% bonds due July 20, 1970, non-callable. The 5⅜s of 1960 are being offered at par, and the 5⅛s of 1970 at 101.

The offering is being made through the banks' Fiscal Agent, John T. Knox, with the assistance of a nation-wide dealer and banker group. Proceeds will be used to redeem $164 million of bonds maturing Jan. 5, 1960; to repay short-term borrowings, and for lending operations.

Winslow, Cohu Branch

MIAMI, Fla.—Winslow, Cohu & Stetson Incorporated has opened a branch office in the First National Bank Building, under the management of Ivan Pouschine, Vice-President.

John H. Savage

John H. Savage, Limited Partner in Watling, Lerchen & Co., Detroit, passed away Dec. 5.

To Form Travers & Hume

On Jan. 1, Travers & Bartsch and Hume & Thompson will consolidate as Travers & Hume, with offices at 120 Broadway, New York City. Partners of the new firm, which will be a member of the New York Stock Exchange, will be Thomas W. Bartsch, Russell S. Hume, Walter E. Travers, Jr., Alexander R. Thompson and John M. Dear, all members of the Exchange, General Partners; and Genevieve B. Travers, Genevieve T. Moore, Mary T. Dam Sodburg, and Millicent T. Ryan, Limited Partners.

Forming New Partnership

The present partnership of D. H. Blair & Company, 42 Broadway, New York City, members of the New York Stock Exchange, will be dissolved as of Dec. 31 and a new partnership will be formed. Partners in the new organization will be Robert W. Miller, Charles J. Miller, Kenneth Blair Ortman, Louis Lieberbaum, Walter C. Crawford, and Clement M. Stuart, member of the New York Stock Exchange, General Partners, and Dewey Awad and Michael A. Miller, Limited Partners.

Forming A. Lipper & Co.

As of Jan. 4, Arthur Lipper & Co. will be formed with offices at 120 Broadway, New York City, to engage in a securities business. Partners will be Arthur Lipper, Jr., members of the New York Stock Exchange, General Partner, and Muriel Lipper, Limited Partner. Mr. Lipper is active as an individual floor broker.

AS WE SEE IT

(Continued from page 1)

expect the Democratic party to boast about.

No Funding of the Debt

The Democratic leaders are, of course, on strong ground when they say that the Eisenhower Administration has not succeeded — or really tried very seriously— to get the national debt into longer term form. In this case, perhaps, they have a better leg to stand on because the Eisenhower regime in its earlier days had a good deal to say about the need for funding a large part of this debt. As has been true for a good while past, the official Democratic spokesmen take pleasure in pointing to increased interest cost to the Federal Government — which is but part and parcel of their criticism of all efforts to get the credit system on a sounder footing and of any and everything which tends to bring "tight money" into being. The net effect of economic developments during the past five or six years, mostly under a Republican Administration, has plainly been to induce more normal conditions in the money market—and for that no one is to be condemned whatever the political needs of any party are.

But the Eisenhower Administration is now castigated for a rise in the cost of living which has caused inflationary fears to arise in the breasts of Washington officials and a good many not in the national capital. Its accusers have evidently failed to recall what this same so-called consumer price index did during the Democratic years immediately preceding the election of President Eisenhower — but dispassionate inspection of the fact is not a normal characteristic of an active politician seeking to promote his interests and those of his party. Anyhow, the cost of living has risen in recent years and in part at least as a result of the tactics and policies of the Republican regime in Washington — and fully as much as a result of the policies of preceding Administrations.

It could hardly be expected that these critics would fail to gnaw on the old file — recent rates of economic growth. They pick terminal dates — all in quite recent years — to make their point that there has been a retardation in the rate of growth in this country, and somehow the Administration in Washington is found to be responsible for it. Of all the current popular notions there is none about which more nonsense is being said than about this rate of growth — and the alleged tragedy of apparent retardation in that rate. If our growth rate has really suffered abnormally in recent years—that is in sound normal growth—the reason is to be found in broad general policies and programs which have tended to impair our economic vigor, not in the absence of neo-Keynesian artificial stimulants.

What the Democrats Would Do

But the really disheartening aspect of this document is found in the indication of what the Democratic party would do to remedy what it regards as the errors of the Republican Administration of the past half dozen years or so. High on its list of proposed steps is a discontinuation of the "high-interest, tight-money" policy of the past few years—again forgetting that the higher rates of interest in the money market began while President Truman was in the White House. Just what would be done to ease the money situation is not altogether clear. There is a good deal of vague talk about "administered prices" being responsible for inflation and the danger thereof—although nothing is said about administered wages. Apparently it is believed that special credit restraints could somehow keep money cheap, business humming and the Treasury enjoying low interest costs. In this way budgetary deficits would be attacked, but other expenditures by the national government must, apparently, be maintained and greatly enlarged as a matter of fact, according to the Democrats.

Really, budgetary balance would be sought by expanding everything. Apparently if only a paternalistic, not to say socialistic government, were to take the right steps, the economy would grow so fast and be so prosperous that it could easily meet added costs to the Treasury and reduce the disparity between income and outgo rapidly to the point where it would disappear altogether—or so it is argued. True it is that there is some vague talk about reducing the cost of agricultural aid and even military outlays, but one can hardly take them seriously when in the next breath there is promise to bring prosperity back to the farmer, and a promise to make progress in space vastly greater than is now being made. But these promises, express or implied, of greater outlays only begin the story.

We must, so it is said, see to it that every family in the country has housing — regarded by the do-gooders as adequate — and in very considerable part at the expense of the national government. Cities which wish to spend more money than they have must be "helped"; social security must be materially expanded, and our resources must be "developed." And more, much more of the same sort. The document of the Democrats is more disheartening by reason of what it reveals of their own ideas than as a result of its charges against their opponents.

Robert Baird Co. To Admit Two

MILWAUKEE, Wis. As of Jan. 1 William B. Murphy and Anton G. Stepanek will become partners in Robert W. Baird & Co., 110 East Wisconsin Avenue, members of the New York and Midwest Stock Exchanges.

S. P. Hurwitz Opens

BROOKLYN, N. Y. — Sheldon P. Hurwitz is conducting a securities business from offices at 601 Albany Avenue under the firm name of Sheldon Paul Hurwitz Associates.

H. W. Gillen

Harold W. Gillen, Partner in Gillen & Company, New York City, passed away Dec. 10.

Federman, Stonehill NYSE Firm Forming

As of Jan. 1 Federman, Stonehill & Co., members of the New York Stock Exchange, will be formed with offices at 70 Pine Street, New York City. Partners will be Hyman L. Federman, Harold S. Stonehill, who will be the firm's exchange member; Herbert M. Iselin and Henry R. Nathan, general partners; and Lawrence W. Barber, David A. Dawn, Stephen W. Hofman and Joseph Michalover, limited partners. Messrs. Federman, Stonehill, Iselin and Nathan are partners in D. H. Blair & Company.

Gregory & Sons To Admit Linne

Gregory & Sons, 72 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit George W. Linne to partnership.

A. V. Pace Opens

HOUSTON, Texas.—A Virgil Pace, Jr. is conducting a securities business from offices at 1711 South Coast Building. He was formerly with Magill Wareing & Co.

New Barth Branch

SAN JOSE, Calif.—J. Barth & Co. has opened a branch office at Town and Country Village, Stevens Creek Road, under the management of James E. Ryan.

Report of IBA Insurance Securities Committee

Continued from page 24

age involving competition between fire-casualty companies and life insurance companies.

(6) *Other Liability & Property Damage*—Indemnifies the insured against claims for injury or property damage arising out of the ownership or use of property, and personal and business activities—excluding automobile usage—and produces about 7% of total stock company volume.

(7) *Extended Coverage*—This line, making up 6% of total volume, constitutes extension of the protection afforded by fire insurance policies—and is tied directly to the fire policy—to include certain additional hazards such as windstorm, smoke, explosion, damage from falling aircraft, etc.

(8) *Marine*—About 6% of total premiums are derived from ocean and inland marine coverages; this coverage provides protection to owners of ships, trucks, rail cars and planes and their cargoes against loss or damage.

(9) *Fidelity and Surety*—Making up 3% of premium income and ordinarily combined for statistical analysis, these coverages provide a variety of guarantees. Surety Bonds pledge the performance of a contract or other agreement, or the fulfillment of an obligation imposed by statute. Fidelity Bonds protect an employer from dishonest or fraudulent acts committed by employees.

(10) *Multiple Peril*—Although representing only 3% of current volume, this is one of the fastest growing lines and is designed to produce individual policies which would offer protection against a combination of hazards or perils. The Homeowners' Policies are for the individual and offer fire, casualty, burglary and theft and inland marine coverages combined in one policy. The Commercial Property contracts are issued to wholesalers and retail merchants and include fire and various extensions of coverage; burglary and theft; sprinkler leakage; hazards of transportation, etc.

(11) The remaining 2% of premiums represent miscellaneous lines including tornado, hail, plate glass, burglary and theft, boiler and machinery, etc.

Earnings Computation

As indicated earlier, the fire-casualty company derives its income from two basic sources—insurance underwriting and investments. In the analysis of the first of these functions the analyst employs certain procedures for measuring earning power that differ markedly from other industries.

The Unearned Premium Reserve

Premiums charged by fire-casualty companies are not taken into earned income at the time the insurance is written, but are required by the insurance laws of various states to be set up as a liability termed the "Unearned Premium Reserve." This reserve is equal to the amount that would be returned to policyholders if all outstanding policies were canceled. As these premiums become earned over the term of the policy contract—which may cover a period of as much as five years—they are released from "Unearned Premiums" and become part of the "Premiums Earned" account. No credit is permitted for the various expenses incurred upon acquisition of the business including commissions paid to agents, state premium taxes and certain other overhead costs. Since insurance laws do not permit these prepaid expenses to be carried as an asset, the requirements have the effect of charging immediately against earned income all expenses incurred with the issuance of a policy at the time it is written, although the premium on such policy is reflected in the earnings account only as it is released from the Unearned Premium Reserve over the term of the policy contract. In a period of increasing premium volume, this method of accounting produces less underwriting profits (and, conversely, would produce more underwriting profits in a period of decreasing premium volume) than would result if such expenses were charged only as the premiums became earned. This entire procedure is contrary to ordinary accounting practices relative to accrual of costs since amortization is not permitted under the law.

Thus, to obtain a clear picture of the underwriting results of fire-casualty companies for a given year, an adjustment must be made for the "equity" which arises from the necessity of prepaying acquisition expenses. The reported or so-called "statutory" underwriting profits or losses of a fire-casualty insurance company are computed in accordance with the state laws and do not include an adjustment for the "equity" in the Unearned Premium Reserve. These statutory underwriting earnings give an incomplete picture of "true" earnings and should be adjusted to compensate for prepaid acquisition expenses.

Let us take a hypothetical case and see how this adjusting factor is applied; assume that as of June 30 a three-year fire insurance policy is written for a total premium of $900; the insurance agent immediately deducts his commission which might amount to 25% or $225; transmitting the balance of $675 to the company. In addition, other acquisition expenses would be incurred almost immediately, costing the company perhaps an additional $135 or 15% of the total $900 premium. Thus before a dollar of the premium is earned, the company has "lost" $360, because the entire paid premium must be deposited in the "Unearned Premium Reserve."

As the policy continues in effect, the unearned portion of the premiums becomes earned and is transferred on an equal monthly basis over the life of the policy. As of the end of the year, in our example, six months or one-sixth of the life of the three-year policy would have elapsed and $150 would be transferred out of the Unearned Premium Reserve reducing it to $750.

Let us suppose that in addition to the $360 of expenses (40% of the total premium of $900), the company incurred a $75 loss under the policy during the first six months of its term, or 50% of the $150 of premiums earned during that time. Assuming that this insurance did no other business during the calendar year, the company's income account would appear as follows:

Net Premiums Written		$900.00
Increase in Unearned Premium Reserve		750.00
Net Premiums Earned		$150.00
Losses Incurred (50% of Net Premiums Earned)	$75.00	
Expenses Incurred (40% of Net Premiums Written)	360.00	
Total Losses and Expenses Incurred		435.00
Statutory Underwriting Loss		$285.00

As indicated in our example, there is a basic fallacy in the "statutory" figure representing the underwriting loss. Although the $900 premium charged to the assured was calculated to be sufficient to absorb both losses and expenses incidental to the policy during its term and leave a reasonable profit for the company, an actual loss appears to have developed. The fallacy, of course, lies in the fact that *all* acquistion expenses have already been paid and an adjustment must be made for the "equity" that the company has in the Unearned Premium Reserve, which equity is roughly equivalent to the expenses already incurred for which the premium is not yet earned. Therefore, in arriving at true underwriting results for any year, the amount of increase or decrease in the "equity" in the Unearned Premium Reserve must be taken into account and added to or subtracted from the statutory underwriting profit (or loss), the resulting figure ordinarily being known as the Adjusted Underwriting Profit (or Loss). In the case of fire and allied lines, this equity is generally calculated at 40% of the annual change in the reserve, while in the case of casualty insurance the figure frequently used is 35%.

In the hypothetical situation discussed above, we would adjust the statutory underwriting loss by adding to it the estimated "equity" in the Unearned Premium Reserve calculated at 40% thereof. The company's adjusted profit, therefore, would be as follows:

Statutory Underwriting Loss	$285.00
Equity in Unearned Premium Reserve Increase	300.00
Adjusted Underwriting Profit	$15.00

Underwriting Ratios

In order to compare the underwriting results of different companies, ratios rather than dollars are used. In the example indicated above, the analyst would relate the $15 Adjusted Underwriting Profit to the $150 of net premiums earned to arrive at an estimated 10% profit margin for the underwriting business.

An additional method of computing the "Underwriting Profit Margin" takes into account the sum of two different ratios, the "loss" ratio and the "expense" ratio. The loss ratio, which is the measure of selection of risks by the company and the adequacy of its rates, is the ratio of losses incurred to premiums earned, which in the case of our hypothetical company was 50%. The expense ratio, the measure of efficiency of operation, is the ratio of underwriting expenses incurred to premiums written, which in our example was 40%. By combining these ratios and relating the sum to 100%, we arrive at an estimated profit margin. In our particular case, the sum of these ratios is 90%, which, of course, leaves a profit of 10% for the company.

At this point the analyst must take into account the fact that the overall profit margin is merely the average of the individual profits by lines of coverage. Thus, it is important to consider the profit margins of the various classes of business. Consider the following example, in which we show the relative proportion of the different coverages and their respective margins of profit.

Both companies have identical experience by lines, yet because of a preponderance of boiler business, "B" has a profit margin more than twice as large as "A."

As the investor can plainly see, company "B's" concentration has produced higher profits, but if conditions in the Boiler line were to become bad, then "B" would suffer more proportionately than "A." Individual lines are subject to many factors peculiar to that line. Thus inflated costs may hurt the automobile underwriters, but benefit the life underwriters. Deflated costs may help the property companies, but the reduced payrolls would adversely affect workmen's compensation results. Hurricanes played havoc with the loss ratios in recent years, but these losses have led to enormously increased rates in the areas affected. A decade ago, Florida was considered one territory where extended coverage profits were impossible, and the Northeastern states were regarded as the "gravy states." During the last 10 years, many underwriters "left" the south for the more lucrative north. The results were almost disastrous, yet, at the time the decision was made, the move was considered especially prudent.

Thus, to evaluate a company's performance *vis-a-vis* other companies, it is of paramount importance that an appraisal be made of each line of coverage. The data can be obtained from the Convention Annual Statements, supplemented by the Insurance Expense Exhibits, which become available about May each year, or about two months after the basic Convention Report.

Investment Income

Fire-casualty companies derive a substantial income from the investment of not only their capital accounts but also from the extensive funds in the various legal reserves. In a detailed study of any insurance company, consideration must be given to the nature of the company's investment portfolio and to its investment results over a period of years. There is a wide variation in investment policies, with some companies having a large proportion of the portfolio invested in bonds, and others in equity securities. Generally speaking, the major fire-casualty companies maintain cash and high grade debt securi-

	——COMPANY "A"—— % of Total Business	% Profit Margin	——COMPANY "B"—— % of Total Business	% Profit Margin
Fire	40	2.00%	10	2.00%
Extended Coverage	15	3.00	2	3.00
Ocean Marine	35	2.00	30	2.00
Boiler	10	10.00	58	10.00
Aggregate Profit Margin		2.95%		6.66%

ties sufficient to cover their legal liabilities, which includes loss reserves and unearned premium reserves. Ordinarily, common stock holdings should be measured in relation to capital funds; generally, a company with a high ratio of capital-funds to unearned premium reserves (or the amount of business written) can safely invest a greater portion of its funds in common stocks than can a company whose unearned premiums (or premium volume) are not so well covered by capital funds.

Since underwriting profits fluctuate widely with changing business and economic conditions, whereas income from investments is fairly steady, most fire-casualty companies adhere to the practice of paying dividends to stockholders out of investment income only. Underwriting profits are generally retained in surplus, in order to finance future growth, and also in order to be available to absorb unusual underwriting losses without disturbing dividend payments to stockholders. This sound and conservative practice accounts largely for the long and uninterrupted dividend records of so many fire-casualty companies.

In studying individual investment policies, recognition must be given to the fact that external forces often play an important part in an investment manager's decisions. Various legal requirements for investment of reserves must be satisfied; if underwriting losses are incurred—as they were during 1956, 1957 and 1958—it is incumbent upon the investment managers to keep a larger proportion in liquid, short-term investments for the payment of large losses; if premium volume is growing rapidly, it would be necessary to increase bond holdings and, perhaps, reduce common stock holdings so as to keep reserves amply covered by securities not subject to wide fluctuation.

In the ordinary course of investing, capital gains and losses are realized and the amount is often substantial. In addition, the various insurance departments have ruled that stock portfolios must be carried at market values, with bond portfolios carried at amortized values; even if there were no actual security transactions throughout a year, unrealized gains or losses would develop. These capital adjustments are ordinarily excluded from investment income by insurance stock analysts, but are reflected in the change from year to year in capital funds and "liquidating values" of the companies.

Consolidated Adjusted Operating Earnings After Federal Income Taxes

Stock fire-casualty insurance companies pay Federal income taxes on their net statutory income from underwriting and investments, and from realized capital gains. Statutory underwriting earnings are subject to full corporate tax rates—although, as has been indicated previously, increasing premium volume tends to understate statutory underwriting earnings, thus enabling the companies to postpone tax payments on that portion of potential earnings tied up in the unearned premium reserve. Investment income is subject to full corporate rates, except for income from municipal and other tax-exempt bonds which, of course, is free of tax; dividend income is subject to regular rates with the usual 85% dividend credit granted thereon. Capital gains and losses are subject to a 25% tax if they qualify as long-term transactions and are subject to twice that tax if they are in a short-term (less than six months) category.

The adjusted operating earnings of a fire-casualty company, then, are generally considered to be the sum of adjusted underwriting profits (or losses) and net investment income (exclusive of realized and unrealized capital gains and losses), less Federal income taxes applicable thereto. In cases where one insurance company owns one or more subsidiary companies, which situation occurs frequently, it is necessary to compute consolidated earnings by adding together the earnings of the individual units of the fleet and deducting from the total any inter-company dividends that may have been paid. In most cases of fleet operation, 100% of the stock of affiliates is owned by the "parent" company—however, if less than 100% is owned, appropriate adjustment for minority interest should be made in consolidation.

Net Worth

Another basic statistic is the net worth of the company. Over the years many names have been applied to this item—"adjusted book value," "liquidating value," "going concern value," etc.—but by whatever name it is called, it includes capital, surplus and any voluntary reserves, as well as such reserves that the company must set up to satisfy certain legal requirements. These reserves are described by their appropriate ledger titles, such as Excess Schedule K Reserves, Excess Schedule P Reserves and Unauthorized Reinsurance Reserves. To these figures is added the "Equity in the Unearned Premium Reserve" the calculation of which has already been described. One final adjustment is made. Insurance companies are allowed to carry bonds at final amortized values rather than market values. At the present time nearly all bonds are selling below their carrying value. There have been periods in the past when the market value was above amortized value. Whether the market is above or below, the analyst computes the difference between market and carrying values, and this figure is added to or subtracted from "net worth."

The most startling fact to emerge from a comparison of the market price of the stock to its "net worth" is that nearly all fire-casualty stocks sell below "net worth." In fact about 90% of the freely-traded fire-casualty stocks sell at discounts from net worth, the discounts ranging up to 60% with the majority around 25-30%.

Basic Reason for Discount

The average fire-casualty insurance company writes about one dollar of insurance premiums for each dollar of net worth. Naturally some companies write more, but by and large, this is the approximate ratio. Over the past half decade most companies have lost money on underwriting and while the outlook now seems brighter, most informed insurance men do not envision a period of large profit margins ahead. Indeed most generously rated lines do not include provision for profits above 6%; only a few companies have maintained an average margin of 6%. Nearly all companies consider themselves reasonably successful if they break even. Thus the average company would feel satisfied if 4% were earned. This 4% is less than 2% after taxes. In addition, investment income of perhaps 4½% would be earned on net worth and this, in turn, would be reduced to about 4% after taxes, depending on the nature of the investment portfolio. Thus the company might earn 6% after taxes, on stockholders net worth. But the "market" knows that the results of the last three years could be duplicated again and therefore the "market" places a lower price-earnings ratio on these earnings. A price-earnings ratio of 10 times is just another way of saying that the market capitalizes earnings at 10%. But if only 6% is earned on net worth, then the market price has to drop below the net worth. In this case, the discount would have to be 40% because:

10% of market price = 6% of net worth
100% of market price = 60% of net worth

Using the same figures, in order for the stock to sell at net worth—assuming 10 times earnings is a proper capitalization — it means that the company would have to earn 10% after taxes on net worth. Since about 4% comes from investment income, then 6% would have to come from underwriting. This 6% is a pre-tax 12% profit margin, a figure seldom recorded by even the best of companies. Thus the "4% company" would have to write three times its normal volume of business to earn an aggregate 12%; this volume would be historically high for nearly all companies and therefore would not be attempted.

To sum up, most fire-casualty insurance stocks sell below "going concern value" or "net worth" because they do not earn enough on their "net worth" to justify a price equivalent to their "net worth."

The Insurance Market

Because of the peculiar nature of the fire-casualty insurance business, the companies are almost forced to maintain relatively simple capitalizations. First of all, the claimants and the policyholder have priority to resources of the company—prior to that of any class of securities. Secondly, there is little need for bonds, or mortgages because insurance companies have no plant. There is no need for borrowed money because insurance companies carry no inventories of finished or raw products. About 10% of the fire-casualty companies have preferred issues and perhaps 1% have notes, these companies by and large, being those that have barely weathered recent economic storms, and found equity capital hard to obtain. All told there are about 100 million shares outstanding in the 70-odd companies which make up the trading market. While this number may sound huge, the reader should bear in mind that General Motors alone has nearly three times this amount outstanding.

III

The Analysis of Life Insurance Company Stocks

In recent years there has been a substantial increase in investor interest in life insurance company stocks as growth investments with superior appreciation potentialities. Of course the field is still relatively small and investor interest is not wide in relation to other types of securities. However, enough interest has been generated to create an investor desire to know more about life insurance company stocks and the elements which contribute to their evaluation and to their appreciation potential.

As with other types of securities, the analysis of life insurance company stocks may be approached from the following standpoints:

(1) A study of the financial statements of the company for a number of years will indicate earnings and earnings trends as well as the nature of the company's assets and its capital accounts.

(2) An examination into the nature of the business transacted by the particular company. This includes a study of the size and distribution of the business between classes such as ordinary, group and industrial categories. Also the questions of how much is participating versus non-participating, the territory in which the company is licensed and the reserving policy will come in for study.

(3) The growth record of the company, especially the growth of the most desirable type of life insurance business — whole life and endowment insurance — will have an important bearing on the attractiveness of a given life insurance company's stock. This record of past growth provides perhaps the best indication of what may be expected in the future. It also gives a clue to the management's ability since selling new business is a prime requisite for superior life insurance company management.

With respect to life insurance companies the determination of earnings is made difficult by the

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complex nature of the life insurance business and by the manner in which the financial statements of life insurance companies is presented. The so-called "Annual Convention Statement," which is filed with the Insurance Departments in every state in which the life insurance company is licensed to do business, is designed primarily to provide information needed by the regulatory authorities for the protection of policyholders' interests rather than to show earnings applicable to stockholders' interests.

The closest thing to net operating earnings of a life insurance company is found on page 4, line 33, of the Convention Statement under Summary of Operations in a line entitled "Net Gain From Operations After Dividends to Policyholders and Excluding Capital Gains and Losses." This provides a starting point from which, with certain necessary adjustments it may be possible to develop a reasonably representative statement of earning power. Following are some of the important adjustments deemed necessary to place a life insurance company's earnings on a footing comparable with its own results for past years and comparable with the earnings of other life insurance companies:

(1) Any special deductions or reservations of earnings made before arriving at the figure in line 33 must be restored if these are of a non-recurring or surplus charge nature. Several companies in recent years have followed a practice of charging against current earnings substantial amounts for policy revaluation reserves, for special reserves or for other voluntary reserves. While it cannot be stated flatly that all such reservations should be added to operating earnings and deducted below the line from surplus, the preponderance of evidence is that most of these items should be so treated.

(2) Amounts added to so-called "deficiency reserves" during the year should be added back to earnings. These reserves can be found in Exhibit 8 of the Convention Statement under the title "For excess of valuation net premiums over corresponding gross premiums on respective policies, computed according to the standard of valuation required by this state." These deficiency reserves are in effect extra amounts over and above what the companies' actuaries believe is needed to cover possible mortality based on recent experience. When new mortality tables are placed in operation, the need for deficiency reserves will disappear.

(3) Adjustment should be made for prepayment of acquisition costs involved in placing new business on the company's books. When new business is written, substantial first year costs are involved and if allowance is not made for these acquisition costs, the earnings of the rapidly-growing life insurance company will suffer by comparison with a slower growing organization. The first year costs, which usually involve all or more than the initial premium, are chiefly the commission payable to the producer, plus the medical examination cost and agency and home office overhead costs involved in issuing the policy. In addition, there is usually an amount added to reserves during the first year. The size of this reserve will depend on the method of reserving.

There is no completely accurate formula for measuring this first year acquisition cost. The wide variations in expenses, in reserving practices, and differences between participating and non-participating, whole-life and endowment and term life insurance policies make valuation of acquisition costs a difficult and complex matter. However, for the sake of providing at least a rule-of-thumb basis for adjusting reported earnings of life insurance companies to reflect acquisition costs, a valuation rate of $15 per thousand of ordinary life insurance in force has become fairly generally accepted. For group life insurance the figure is $5 per thousand and for industrial or weekly debit life insurance a rough minimum figure of 26 weeks' premiums or 50% of the annual premium from this business has been used. Some analysts have used a higher valuation for ordinary, $20 or $25 per thousand, while others have used a lower valuation for group.

(4) Another adjustment of earnings of a life insurance company may often be one to separate the stockholders' interest from the policyholders' claims against income. Depending on the company's charter and on applicable state laws, there are often limitations placed on the proportion of earnings applicable to participating insurance in force which may accrue to the benefit of stockholders rather than to policyholders. Earnings applicable to stockholder interests may be obtained directly from the company or may be derived from the so-called "split reports" filed with the State Insurance Departments.

After arriving at what may be considered a fair representation of a given life insurance company's past record of earnings by making the aforementioned adjustments, the next step is to settle upon a proper capitalization rate at which to value such earnings. In other words, the next step is to find the approximate price-earnings ratio to apply to earnings. This involves a qualitative appraisal of earning power. How good are the earnings and what are the possibilities for future increases in these earnings? Stated another way, this question might be—how good is management?

The analyst may find several clues to the quality of earnings and the ability of management in his study of the available data. The growth record as measured by the percentage increase in ordinary life insurance in force (and perhaps even more significantly, the growth of whole life and endowment business exclusive of term insurance) over the past decade — compared to the industry average or to other similar life insurance companies —may provide the surest clue to managerial prowess. The growth of group life and accident and health volume should be studied also. Other factors such as reserving practices and management's ability to adopt new lines of insurance and to meet new competitive situations may also play a part in judging management.

It is easily demonstrable that a life insurance company which sets up its life reserves on the net level premium method is stating its earnings much more conservatively than one which uses the modified or full preliminary term methods of reserving. Furthermore, some life companies lean over backward even further to be conservative by building up reserves to cover an interest assumption of under 3%.

In studying a given life insurance company's earnings, the material in the Convention Statement can be analyzed to show the derivation of earnings by lines of insurance, i.e. from ordinary, group and industrial life insurance as well as from accident and health coverage. Also, from the material furnished in convention statements of life insurance companies it is possible to prepare break-downs or analyses of the earnings from mortality savings and from interest savings and to determine the efficiency of the company's operations as measured by the ratio of operating expenses to income. This type of analysis is helpful in tracing possible weaknesses or sources of strength which may have an important influence on the future trend of earnings. In this connection, it may be noted that there often are valid reasons for a given company's failure to measure up to optimum performance in one or more of the phases of operations outlined herein. For example, if a company is building up an agency force which may be quite effective in the future, its immediate expense ratio may be adversely affected—but the long range results may be beneficial.

These are only some of the qualitative factors which influence the analyst's judgment in arriving at a proper valuation rate or price earnings multiple in appraising or valuing the company's stock. Price-earnings ratios or capitalization rates are by no means static absolutes. They tend to vary with different companies and changing conditions and are best viewed as relative rather than absolute measures. In the middle 1940's, when many life insurance companies were unable to earn their tabular interest requirements (the amounts necessary to support their reserves) their stocks were selling at less than 5 times adjusted earnings. Today these stocks, under more favorable conditions, are selling around 17 times such earnings.

Just as is true of other types of corporate equities, there is a wide variation in the capitalization rates applied to different life insurance company stocks. This is a reflection of different appraisals of the quality of earnings. The function of the analyst is to relate a given life insurance company's stock to the price earnings ratios at which other similar life stocks are currently available. He may also go further and relate the price earnings ratios at which life stocks

generally are selling to the rates at which the general stock market is appraising or capitalizing industrial stocks with growth characteristics. It will be found that while the price-earnings ratio at which life insurance company stocks currently are selling are about three times higher than they were a decade ago, they are still under the 30 to 40 times earnings ratios at which a few of the best industrial growth stocks are currently quoted.

As a point of reference, the present Dow-Jones industrial stock average of 650 represents a little over 23 times last year's earnings and perhaps 18½ times estimated 1959 average earnings per share. Life insurance stocks in general appear to be moderately priced by comparison since they are selling just around 17 times 1958 earnings and at perhaps a lower capitalization rate of 1959 earnings, assuming some increase in life insurance company earnings this year.

Sales of ordinary life insurance are increasing satisfactorily this year and the prospects for earnings gains appear to be favorable.

Earnings of life insurance companies are derived from three principal differentials.

(1) The difference between the amount required to be set aside as a mortality reserve and the actual cost of mortality, representing savings from mortality. In view of the fact that policyholders have been living longer, these savings have been growing in recent years.

(2) The difference between the amount assumed to be earned as interest on reserves (tabular interest) and the actual amount of interest earned on reserves, representing interest savings. For several years prior to 1947 life companies generally were running deficiencies in this respect as the average rate of interest earned on invested funds of life insurance companies fell to a low of 2.88% in the latter year. Since then interest rates have been rising and the average differential between interest earned and tabular interest requirements has been expanding. It rose from a before-tax figure of 3.75% to 3.85% last year and may well exceed 4% in 1959.

(3) The difference between the amount set up in premium rates for expenses and the amounts actually required, representing savings from loading. In general, life insurance companies have been able to hold their general operating expenses to less than 18% of total income despite rising salary and other costs. This has been made possible by the application of electronic tabulating and recording equipment to an increasing volume of business. Continued gains in efficiency in office methods and procedures are expected to help in keeping expenses within reasonable limits in the future.

An important factor influencing the earnings and earnings prospects of the life insurance company is Federal income taxes. Life insurance companies have been taxed by the Federal Government for several years on a "stopgap" basis. During much of this time the industry and the Treasury Department have been seeking a mutually acceptable "permanent" tax formula which would be fair to the life insurance companies and at the same time provide more revenue for the Treasury.

Life Insurance Tax Act of 1959

In June, 1959, the Life Insurance Company Income Tax Act of 1959 was enacted into law. This piece of legislation provides for the imposition of the regular 52% corporate income tax rate on what is defined as "life insurance company taxable income." This is composed of three parts: taxable net investment income (which may average 25 to 30% of total net investment income, assuming an allowance for reserves of 70% to 75%); one half of current underwriting income; and the other half of underwriting income when it is distributed to shareholders or made available to them. In addition a flat 25% tax is imposed on capital gains.

The impact of this new tax law on individual life insurance companies is still being studied. It will take some time before a complete evaluation of the law can be made. With respect to the life insurance industry, the overall effect of the increased tax burden, while not pleasant, is not expected to be so heavy as to change the basic nature of life insurance companies as attractive growth investments. The new law has been formulated with considerable care and thought so that it is not believed to be destructive or punitive. It is possible that the ending of uncertainties concerning the type of tax law which would ultimately have been enacted will be constructive.

At this point, the problem of valuation of life insurance companies will be examined from the viewpoint of an appraisal of assets and equities in business in force. Because the bulk of the assets of life insurance companies are in the form of cash and readily marketable bonds and mortgages, considerable attention is paid to book value or total equity value in appraising stocks of these companies. While this approach is definitely of interest as providing a basis for comparison and in providing some valuation tests, the significance of earnings as a dependable guide to value is believed to be substantially greater than asset or equity valuation.

Basically, the asset or equity approach to valuation of life insurance company stocks is to start out with capital and surplus, and to add to this figure such free reserves as might safely be said to belong to stockholders rather than olicyholders. This produces an adjusted book value. A valuation for life insurance in force is then added, using the valuation figures hereinbefore described, namely $15 per thousand for ordinary life insurance, $5 per thousand for group and one half the annual premiums for industrial insurance. If there is nonlife insurance business, it will be necessary to add values for such business, basing the valuations on ratios generally applied in these fields. As more and more insurance companies become completely multiple-line through combination of life insurance companies with fire and casualty companies, it will be necessary to combine the valuation of the two types of operations.

A part of the asset or equity valuation approach is the examination of investments which constitute the bulk of assets of life insurance companies. Most of the larger companies have reasonably comparable percentages of their assets in U. S. Government bonds, other bonds and mortgages. Where there are wide differences from the normal or average distribution of assets (using for comparison industry aggregates which are available) a further examination of investments will be in order. Among smaller companies, not in a position to participate in many direct placements, the division of assets will tend to vary in comparison with the larger companies. Two important points (among others) to check with respect to assets of life insurance companies are the mortgages and the amount of the investment in real estate. A large percentage of mortgages in one particular state, uninsured and carrying relatively high interest rates may raise the question whether quality has been sacrificed for yield. With reference to the investment in real estate, in a few cases new life insurance companies have been started with a building as the principal asset. Since the building usually cannot be liquidated easily to pay claims, this is not a sound situation.

While the analysis of life insurance companies provides many problems, it also has rewarding features. The strength and vitality of the life insurance business, its favorable growth characteristics and its essential part in the American economy provide a sound basis for the industry's future development. If the analyst can keep his attention focused on the most important elements and avoid losing himself in a forest of complexities, he will find the analysis of life insurance companies interesting and profitable.

IV

Significant Happenings in Fire And Casualty Insurance Stocks in 1959

The year 1959 started on a note of optimism. Operating results of many fire and casualty companies improved significantly in the last six months of 1958 and most investors looked for this improvement to carry into 1959. These high hopes were not realized, however, and the results for the first quarter of this year were, for the most part, no better than those reported in the first quarter of 1958.

The generally poor first quarter results were attributed to the deterioration in experience in the fire business. Most of the country suffered a very severe winter. Under such conditions heating facilities are strained beyond normal capacity and loss of property by fire increases proportionately. The amelioration of weather conditions in the Spring, however, brought almost immediate improvement in fire insurance experience.

The major problem in casualty insurance had been the very poor results of automobile underwriting. Increases in rates charged for this coverage had been granted in 1957 and 1958 in almost all of the 48 states. These increases started to become effective in the second half of 1958 and carried forward into 1959. The improvement in fire results coupled with the continued improvement of automobile underwriting experience combined to produce significantly better statements for the second and third quarters of the year. Should this trend continue in the fourth quarter final year-end statements will be materially better than those of the last two years.

There were two major developments in 1959 which are very significant to the future of fire and casualty insurance. First the continued problem of methods and cost of merchandising policies and second the matter of State versus Federal Government regulation.

Until five or six years ago the stock agency companies wrote approximately 85% of the fire and casualty insurance issued in the United States. These companies sell their policies through independent agents who represent one or more insurers. For their services in selling the product, preparing the policy and collecting the premium these agents are paid a percentage of the total premium. In recent years a group of companies called direct writers have made heavy inroads into the business formerly written by agency companies. Led by Allstate Insurance Co., an affiliate of Sears Roebuck, and State Farm Insurance Co. these direct writers have introduced a different method of obtaining business. They sell their policies over the counter and through employees rather than in-

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dependent agents. The salesman does none of the administrative work relative to issuing the contract and has no control over whether or not the risk is accepted. His only function is to sell and his remuneration is substantially lower per policy sold. This has made it possible for direct writing companies to pass on some of the savings in acquisition cost to the policyholder. The resulting price differential has caused many people to switch their insurance to this type company.

The stock agency companies are trying to evolve a system which will help them to regain some part of the lost premium volume. One approach has been to lower the commission paid to agents and to pass some of this saving along to policy buyers. This approach has not been well received by the agents. They contend that they cannot perform their present function at lower commission rates. Many industry leaders maintain that they should give up much of the detail work they now handle to the companies which can handle it in volume more efficiently.

Discussions between the companies and agents' associations have not produced a meeting of the minds on this vital issue. Because of the complexity of the problem and the importance of the issue to both sides, it is likely that a solution will be sometime forthcoming.

Another approach to meeting direct writer competition has been recently introduced. Called Merit Rating, this plan gives a discount from a base rate for a period of accident-free driving. Rates are increased for accidents or moving traffic violations up to a limit of twice the base rates. This plan is in the experimental stage and an evaluation of its effectiveness will have to wait until more experience has been gained.

The matter of State versus Federal regulation of insurance rates had its inception in 1944. On June 5 of that year the Supreme Court of the United States decided that the business of insurance when conducted across state lines is interstate commerce and hence the Sherman Anti-trust Act applies to monopolies and combinations in restraint of trade in that business.

Because of the necessity of using broad geographical distribution of experience, as well as as large a volume of statistics as is possible to gather, insurance companies had acted in concert throught associations to make rates.

Additionally, rate making in concert is necessary to insure the solvency of the smaller companies. Without general agreement on premium charges, price wars are a distinct possibility. Thus the interest of policyholders in small organizations would be in deep jeopardy. The states had recognized the problems involved and had permitted the associations to function. Since this method of operation was in violation of the Sherman Act an immediate problem was presented.

Congress recognized the problem and the chaos which would have prevailed had the Act been strictly applied. After lengthy hearings it passed Public Law 15, called the McCarran Act. This legislation stated in essence that the states should continue to regulate the business as long as they did it effectively. The act implied that should Congress find that state regulation was not effective the Federal Government could step in.

Late in 1958 a Senate Committee headed by Senator O'Mahoney began to investigate whether the states were performing their function properly. The committee heard representatives from the insurance industry, the National Association of State Insurance Commissioners and the National Association of Insurance Agents. The testimony presented supported continued regulation by the States with suggestions from some sources of ways to make this regulation more efficient. The Committee recessed last summer and as yet has not published a report of its findings. It is the consensus of most interested parties that there is no immediate threat of Federal Government regulation. It is probable that the States will in the future allow greater latitude for individual company action on rates. If kept within reasonable bounds, such action would not affect the industry adversely and would most probably relieve the pressure of Federal intervention.

A report of the fire and casualty insurance industry would not be complete without mention of the market action of the stocks. Reflecting the poor operating results of 1957 and 1958 the prices of the shares were depressed during that period. They reached their lowest points in the fall of 1957. From that time they gradually improved and as of December, 1958 they were up, on the average, about 54% from their lows of October, 1957. As has been previously noted, at the end of 1958 there existed a feeling of optimism about operating results for 1959. Market prices reflected this feeling. The market prices of insurance stocks continued to advance and reached a peak in February of 1959. By March of this year the problems experienced in the first quarter became apparent to investors and the prices started a slow but steady decline. They have dropped a little each month and as of September, 1959, they had declined approximately 14% from the high point of February.

Should fourth quarter 1959 operating results continue the trend experienced in the second and third quarters it is not unlikely that prices of the stocks will advance from present levels to reflect the improvement in industry earnings.

V

Life Insurance Stocks—1959

The most important single development affecting life insurance in 1959 (and probably for many years to come) was the enactment of a permanent income tax law for the industry, applicable retroactively to the year 1958 and to all subsequent years.

There was no element of surprise to the industry involved in the passage of this legislation, which approximately doubles the income tax of the majority of stock life insurance companies and adds about 60% to the tax rate of the average mutual company. Under the old law mutual companies, which account for 75% of total assets and 63% of insurance in force, paid about 75% of the tax, and stock companies, much larger in number but smaller in size, carried 25%. Under the new law the increased burden ($501 million for 1958 versus $319 million under the old basis) is divided approximately 69% and 31% respectively.

While investors in life insurance stocks were made aware of the significance of this year's developments in a general way because of the wide fluctuation in the price of their stocks few knew that, in the words of Fred C. Scribner, Under Secretary of the Treasury, "the legislative history of this particular topic is one of the most complex in the entire field of taxation."

The inherent difficulties in connection with the enactment of this law developed such strains and division of interest within the industry between stock and mutual companies, large versus small companies, and honest differences of opinion among mutual companies, large versus small companies, and honest differences of opinion among the industry's leaders, that the Treasury virtually "wrote its own ticket" in connection with the bill that passed in the House. Favorable Senate Finance Committee modifications which were carried into the final law apply a new and complex formula to a problem that has long resisted solution.

While the legislators must be given credit for a sincere and objective study, the result of which may be the most equitable approach obtainable under the circumstances, the need for some early amendments seems obvious. First, in connection with tax exempt income it was apparently the Senate Finance Committee's desire to preserve the full integrity of this relief. The Act, as passed, specifically excludes such tax but then takes away most of the benefits of ownership of municipals of life insurance companies by allocating much of such income to the nontaxable portion of income. It is possible that a company with large holdings of municipals might find that its tax under the life tax law is actually greater than it would be under corporate tax law, and demand to be taxed as an ordinary corporation. Of course, under the present law higher yield mortgages are much more attractive than an equal amount of municipals, upon which they can deduct only about 30% of the income.

Second, the cumbersome and almost incomprehensible long-term effects of Phase III on the future of stock life insurance could probably be resolved in a simple way. It now resembles a stone fortress, built to house jack-rabbits. Industry tax specialists will have a field day devising schemes to convert tax deferral into tax abatement, and therefore it is our prediction that it will ultimately result in little or no revenue. The only immediate result is confusion and extra accounting expenses for the companies.

Background

As far back as 1949 a Subcommittee of the Committee on Ways and Means, after conducting studies, had recommended temporary legislation as a substitute for a 1942 Act, which had proven so impractical as to virtually free the industry of tax liability during the war years and in 1947 produced absolutely no revenue at all, a situation somewhat embarrassing even to the beneficiaries. Because of the technical difficulties involved then in arriving at an equitable formula that would be both fair to the industry and produce revenue satisfactory to the Treasury the Subcommittee recommended deferment of a permanent law until 1950's "stop-gap" legislation had been adequately tested.

Modification in 1951 simplified the 1950 formula and then in 1955, after extensive hearings and studies, another "stop-gap" law was passed which so appealed to many within the industry because of its simplicity that much pressure developed to make this the long awaited permanent law. Simply stated, this formula allowed the deduction of 87½% of the first million dollars of investment income and 85% of net investment income in excess of $1 million as policy liability and taxed the remainder at the regular corporate rates. No tax on other operating or capital gains were imposed. This formula produced $293 million of revenue in 1957, the last

applicable year. In that year the industry reported a net operating gain, after policyholders dividends of $1.1 billion. Since this revenue was only about 26% of net gain it is not surprising that the Treasury strongly opposed the permanent adoption of this base. The tax burden that the Treasury desired to impose on the industry, strangely enough, was about that which would have been derived today, based upon the old 1942 permanent law. Because of the rise in interest rates in the past decade the old law would now produce over $500 million in revenue. One might ask, "Since that law still remained on the books, why have a new law?"

But while the Treasury desired additional revenue, 10 years of study of the changes within the industry toward great growth of group, credit, term, and other lines which produce an underwriting profit but do not generate large reserves and taxable investment income, had soured their experts on the taxation of the investment income alone approach, as represented not only by 1942 but by every life insurance tax law since 1921.

Furthermore, the 1942 law had failed to produce revenue when interest rates decline below a fixed assumed rate of, say 3¼%, needed by the industry to maintain reserves, and had proven a self made trap for the Treasury years ago.

The Treasury experts advocated, and obtained, a combination formula. In the first step, after setting aside the actual reserves needed from investment income, the remainder was considered to be taxable income, just as under previous types of stop gap legislation. Then, in a second step, underwriting profit was to be separated from total gains and also added to the tax base, a procedure bitterly opposed by many companies. Capital gains exemption was also to be eliminated.

Extensive hearings were held before the Subcommittee in November, 1958 and January, 1959, and testimony and exhibits presented by Treasury and industry spokesmen ran to almost 500 pages. Later, other material presented before the Senate Finance Committee ran to an additional 132 pages.

How It Works

The final act passed by Congress and signed by the President in June accepted this general approach although the substantial changes from the House version made by the Senate Finance Committee reduced the total estimated tax from $558 million to $501 million in 1958.

There are three "Phases" and the final tax is the sum of the separate taxes developed under each.

Here is a simplified "step" explanation of these highly technical Phases as applied to a life insurance company with $1,000,000 of assets, net investment income of $40,000, and gain from operations of $45,000.

PHASE 1: The first step is to ascertain the 5 year average earnings yield on Assets. Compare this average with the current year's yield and adopt whichever is lower. Subtract from this yield percentage the company's own assumed rate in establishing reserves. Let us assume, for illustration, the average yield to be 3.75%, the current year's is 4.0% and the company's assumed rate 2.5%. The differential (3.75%-2.5%) would be 1.25%. Ten times this (12.5%) is then used to reduce the company's own life reserve to remove the estimated redundancy. . . . Assume for illustration that the company's life reserve is $900,000; then this becomes $787,500 ($900,000-12.5%) after adjustment. This figure is then multiplied by the 5 year average yield to produce the contract liability requirements. In this case $787,500 x 3.75% = $29,531. (Interest paid policyholders and pension trust reserves, if any, would then be deducted but here, for simplicity reasons, we will assume none existed.) The next step is to divide the actual net investment income into this estimated reserve requirement: $29,531 divided by $40,000 = 73.8%. This is assumed to be the policyholders' share of investment income and therefore not taxable. What is left (26.2% of $40,000 = $10,469) is considered the company's share. Next, tax exempt interest and 85% of any dividends received is divided on the basis of 73.8% belonging to policyholders and only 26.2% to the company, and the smaller portion is then deducted from the $10,469.

In this illustration let us assume $400 of investment income is tax-exempt. The Company can take only 26.2% or $105 as its share of the tax-exempt interest *(the theory being that the other 73.8% or $295 of tax-exempt interest is also exempt because it is included in the company's share which is exempt).*

NOTE—This is completely different than the treatment of tax-exempt income in the case of any other taxpayer. Members of the IBA interested in municipal securities should carefully note this discrimination since life insurance companies will find municipal securities are less attractive under this provision than if they received the full credit. If banks or other debtor-type investors were compelled to prorate exempt income with depositors or creditors tax exemption would lose much of its value to them, and the market for such securities would be reduced. Our cooperation with the industry is needed to upset this dangerous precedent. *The Act includes a provision that, if it is established in any case that the Act would result in the imposition of tax on tax-exempt interest, an adjustment shall be made to the extent necessary to prevent such imposition of tax. There is now controversy as to whether the prorating of tax-exempt interest between the "policyholders' share" and the "company's share" actually imposes any tax on any portion of the tax-exempt interest.*

There is a special small business deduction of 10% (but not to exceed $25,000) of net income, which in this case would be 10% of $40,000 or $4,000. This, plus the $105 tax-exempt interest would reduce the company's tax base under Phase I to $6,364. We now proceed to the next step.

PHASE II: In the illustration gains for operations are $45,000. This figure is here assumed to be after deductions; (1) policyholders dividends; (2) special deductions for non-participating and group insurance. The next step would be to deduct from this $45,000 the $6,364, leaving an underwriting gain of $38,636. One-half of this is added to the tax base under Phase I (19,318 plus $6,364 = $25,682). Application of 30% normal and 52% surtax to this gain would normally then be the current year's tax if there is no Phase III tax due. If the gain from operations were less than the taxable investment income, (i.e. there was an underwriting loss) the combined tax base is simply the adjusted gain from operations. Mutuals can incur an underwriting loss by reason of payment of policyholders dividends, but it is allowed only to the extent of $250,000.

PHASE III: This phase treats with the 50% of underwriting profit upon which the tax was deferred in Phase II, plus the special deductions under Phase II. It is effective one-third in 1959; two-thirds in 1960; and fully thereafter. It sets up two surplus accounts. One, the Shareholders Surplus Account receives all earnings upon which tax has been paid. Two, the Policyholders Surplus Account receives the deferred half of the underwriting profit. Also, since under Phase II the special deductions were allowed (10% of additions to reserves on non-participating policies or 3% of the premiums, whichever is greater and 2% of the premiums on group life) these are added to Policyholders Surplus under Phase III. If any of this fund is distributed to stockholders, $100 would be taxable for each $48 distributed. After building up to certain limits any additions also become taxable.

Cash dividends paid stockholders from the Shareholders Surplus Account are not taxed, but any amounts transferred either to Shareholders Account or paid out from Policyholders Surplus makes this amount includable in the regular income tax base at that time. The maximum that the Policyholders Surplus can build up to is 15% of total life reserves; 25% of the cumulative additions to life reserves since 1958 or 50% of net premiums for the year, whichever is highest.

If a company ceases to be a life insurance company the entire Policyholders Surplus becomes taxable in that year. If it mutualizes and pays off it's stockholders, payments must first exhaust all other capital funds before withdrawals of the tax-subject, Policyholders Surplus is involved.

NOTE — The criticisms of this phase is that it really affects only the stock companies. A sensitive competitive balance has developed historically between the dozen or two huge, strong mutuals and about one thousand smaller, but enterprising, stock companies. It has been, up to now, possible to attract venture capital into the industry, despite the many years of patience required of capital before any reward could be forthcoming. Phase III threatens to upset this sensitive, economic balance by discouraging this flow of venture capital. This is accomplished as much by clouding it's reward as by discriminatory taxation, for such plowback as normally would take place would rarely revert to stockholders. Only time will tell whether this policyholders fund is really profit or a necessary reserve and the income from it will be taxed, anyway, under Phase I.

Phase III unfavorably tilts the scales in an industry with an already demonstrated tendency towards mutual monopoly without much tax revenue producing reason. In doing this it may be an insidious blow for socialism. The

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Report of IBA Insurance Securities Committee

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present Canadian trend toward mutualization of stock life companies is linked to a somewhat similar tax law approach which discriminated between stock and mutual earnings and thus built advantages for mutual operations, that may soon virtually eliminate the stocks. When our government tells a taxpayer, "You may keep these dollars now as they may or may not be earnings, but if certain things happen in the future you might have to pay them as taxes," then it would seem the bewildered taxpayer would never really know which dollars are his and which are not.

Special Provisions

Life insurance companies, beginning with the calendar year, 1959, are now subject to Capital Gains tax. The tax rate is a flat 25% on net long term gains. No alternative method is allowed, as in ordinary corporations. An important advantage, however, provides for costs to be used as that of Dec. 31, 1958, so all appreciation in assets held prior to that date will not be taxed in the future.

Dividends paid by stock life insurance companies, heretofore ineligible either for the 4% dividend received credit or the $50 exclusion ordinarily given, will now be allowed these credits.

Life companies, which compute their reserves on the lower preliminary term basis, are allowed to recompute them under the net level premium basis, either by formula or approximation in order to avoid hardship for tax reasons.

Deficiency reserves set up in the past to conform with State Law will not be taxable as gains as they re-appear in the future, under Phase II. They will be ignored entirely for tax purposes.

A life company, for tax purposes, must have more than 50% of it's insurance reserves in life reserves, but guaranteed and non cancellable life, accident and health reserves are considered as life reserves for tax purposes.

Reserves can be strengthened or weakened, but the effect of such adjustments must be spread ratably over a 10-year period.

Variable annuities companies will be treated as life insurance companies for tax purposes through 1962. Then their tax status will be reviewed in light of the experience that develops as this relatively new field expands.

New companies have an 8 year period to carry forward the operating losses incurred in their first 5 years of operation instead of the usual 5 years. The usual 3 year carryback of losses is accorded all life companies, but this would be of on benefit to new companies and no carrybacks are permitted prior to Jan. 1, 1958.

The exemption of investment income earned in connection with reserves accumulated for qualified employer pension and profit sharing plans begins with one-third allowed in 1959; two-thirds in 1960 and 100% thereafter. This allows insurance companies to provide small employers the same tax free treatment now accorded large private trusteed plans, and is one of the most constructive measures provided under the Act.

Respectfully submitted,

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BANK AND INSURANCE STOCKS

BY LEO I. BURRINGTON

This Week — Insurance Stocks

Stocks of many insurance companies still represent underwriting operations heavily committed to fire or property loss coverage. Even though initial steps toward entering casualty fields have been taken, progress to date has been limited sufficiently for many traditional fire companies to retain their classification. Policies written by these non-multiple line carriers still are limited to the straight fire, extended coverage, auto physical damage, inland marine and ocean marine property lines.

Within the industry the sizable number of companies continue to cling strongly to the slower growing fire lines. Possibly stock investment attraction also persists. Generally the investment distinction between fire and casualty stock companies is fast losing its former importance.

Straight fire insurance volume, which once ranked first among the fire-casualty lines, has been superseded by auto bodily injury liability volume. The fast growing extended coverage line with high peril, due to the lack of natural barriers, has been unprofitable over the years since its introduction. Nonetheless present policies with deductibles may lead to profits.

Faced with inflated repair costs, auto physical damage premium volume appears to have limited growth prospects. Although a moderately profitable line, the prevalence of instalment purchase brings on creditor domination at the expense of underinsurance when automobiles finally are owned. The General Motors Group, which writes the largest physical damage volume, may be joined by other automobile manufacturers which have shown interest in the credit finance-insurance field. Increased competition may minimize the attractiveness of this line for strong separate development. Inland marine premium growth has slowed down as a separate coverage, while the smaller ocean marine volume holds future promise.

Property Insurance Stocks

Price Range 1959-1955		Recent Price	Indic. Divid.	Curr. Yield	Shares Outstdg. (000)
41—20	Agricultural Ins. Co.	29	$1.60	5.52%	487.5
44—23	Amer. Equit. Assur. Co.	44	1.90	4.32	300*
38—24	Camden Fire Ins. Assoc.	34	1.20	3.53	500
25—14	Globe & Republic Ins. Co.	21	1.00	4.76	200*
40—22	Kansas City F&M Ins. Co.	24	1.25	5.21	100
15— 8	Merch'ts & Manuf. Ins. Co.	14	0.65	4.64	250*
36—20	New York Fire Ins. Co.	34	1.50	4.41	200*
52—27	North River Ins. Co.	37	1.40	3.78	800**
36—20	United States Fire Ins. Co.	29	1.00	3.45	2,100**
37—20	Westchester Fire Ins. Co.	30	1.20	4.00	1,000**

*Member of the Corroon & Reynolds Group.
**Member of the Crum & Forster Group.

The problem for insurance stock investors center on which of the many companies will operate more profitably by producing relatively favorable records. Experience in any insurance line may appear unattractive on an industry or typical company basis. Whether limitations to profitable performance are due to careless selection of risks, tardy or insufficient rate relief, commission problems and uncontrolled expenses, or laxity in property loss adjustments, there are managements who take on extensive expansion or intensive internal cost control or both.

Moves taken by fire insurance companies during 1959 include the acquisitions of Maine Bonding and Casualty Co. by Northern Insurance Co. and Anchor Casualty Company by Agricultural Insurance Co. New Hampshire Insurance Co. took "Fire" out of its name, declared an extra dividend of 10¢, and announced plans to strengthen its capital position. National Union Fire Insurance Co. increased its capital funds through a rights offering. Crum & Forster declared an extra dividend of 40¢ a share. More companies are expected to show at least modest underwriting profits in 1959.

Insurance stockholders' patience has been put through a harsh test over the past four or more years. Although possibly premature they will be on the lookout for dividend increases or other compensating steps reflecting progress. The stocks tabulated below represent heavy concentration in established fire lines. At least a dozen more companies could be included which presently are paying the same dividends as in 1956.

Dividends from several of the companies tabulated are paid on a semi-annual, rather than a quarterly, basis. For investors who limit themselves to listed securities, the following fire insurance companies are listed on the American Stock Exchange: Corroon & Reynolds.; Camden Fire Insurance Assoc.; Reliance Insurance Co., and Universal Insurance Co.

As a group, fire insurance stocks seldom hold forth strong growth potential. Interest tends to center on cyclical recovery appreciation, attractive yields and sizable discounts from net worth.

Clark, Dodge & Co. Leads G.M. Secondary

It was announced on Dec. 11 that Clark, Dodge & Co., in association with Shearson, Hammill & Co., had sold a secondary offering of 200,000 shares of General Motors common stock at $52 per share. As is the case with this kind of offering, none of the proceeds accrued to the company, and it does not represent new financing on the part of General Motors.

A. G. Edwards Will Admit Partners

ST. LOUIS, Mo.—On Jan. 1 Benjamin F. Edwards III and William F. Sanford will become partners in A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and Midwest Stock Exchanges. Mr. Sanford will make his headquarters at the firm's New York office.

PUBLIC UTILITY SECURITIES

BY OWEN ELY

Wisconsin Electric Power Company

Wisconsin Electric Power and its subsidiaries serve an estimated population of 1,710,000 in 385 communities of Wisconsin and in the upper peninsula of Michigan. Three separate areas are served, but the properties are interconnected. Subsidiaries include Wisconsin Michigan Power Company with annual revenues of over 17 million, and Wisconsin Natural Gas Company with revenues of over $11 million. Wisconsin Electric also has a $4 million investment in the securities of the Milwaukee & Suburban Transit Corporation.

The area includes some excellent industrial locations, including Milwaukee (13th U. S. city in population) and Milwaukee county (eighth in industrial production). Large farm area with a substantial irrigation load help to stabilize the overall set-up—since industries served include lumber and paper companies and iron ore mines, which are somewhat cyclical.

Revenues are approximately 87% electric, 11% gas and 2% heating and miscellaneous. Electrical revenues are 40% residential and farm, 29% commercial, 24% industrial and 7% wholesale and miscellaneous. Electric rates are quite low, averaging 2.16c per kwh in 1958 compared with the U. S. average of $2.53; residential usage was correspondingly higher than the U. S. average.

The deepened St. Lawrence Seaway, which went into operation some months ago, is expected to have a favorable effect upon the economy of the areas served, Milwaukee's outstanding harbor facilities serving as a gateway. In the past 30 years, Milwaukee has spent about $10 million in developing its outer harbor. Additional millions of dollars are being spent to improve the port's already fine facilities and make them more attractive to exporters and importers.

The system generating capacity aggregated 1,375,000 kw at the end of 1958 compared with 1,253,000 peak load in that year, indicating a reserve of 9% which was somewhat on the low side. A moderate amount of power was purchased on balance. However, a 250,000 kw unit is scheduled for completion late this year, at the Oak Creek Power Plant near Milwaukee, adding 250,000 kw at a cost of about $40 million. A sixth unit at Oak Creek, also with 250,000 kw capacity, will probably be ready for operation by the end of 1961. The company last year derived about 6% of total output from its susbidiary's hydro electric plants in northern Wisconsin.

The company and its subsidiaries have a substantial long-range program for construction of new facilities. Nearly $42 million was expended in 1958 and the budget for 1959 is $40 million. For the four-year period 1959-60 inclusive, total expenditures are estimated at $155 million.

Wisconsin Electric's share earnings record was not outstanding in earlier years. Earnings in 1948 were $2.05 (as reported by Standard & Poor's) and gradually increased to $2.40 in 1957, only to decline to $2.12 in 1958. This showing in recent years was mainly due to a decline in the percentage earned on net property, which had increased from 6.5% in 1948 to 8.1% in 1952 but declined to only 5.4% in 1958. In November, 1957, the company applied for a rate increase of nearly $6 million and asked the Wisconsin Public Service Commission to switch to a value-type rate base, but the Commission held to a cost-type rate base and allowed a 6% rate of return. It granted a $3,816,000 annual rate increase, equivalent to about 32c a share after Federal income taxes on present shares.

The company's subsidiary, Wisconsin Michigan Power, has also requested a rate increase of $473,000 to cover increased charges for power purchased from the parent company. The Commission, in the rate case referred to above, had suggested that the parent company's charge to Wisconsin Michigan should be increased by the indicated amount.

As a result of the 1958 rate increase and improvement in business, the company reported share earnings for the 12 months ended Sept. 30, 1959 of $2.75 on 5,608,000 shares, compared with $2.20 on 5,100,000 shares in the previous 12 months. 1958 earnings, especially in the first half, had been affected by the general decline in business activity as well as unfavorable weather conditions. However, in the last quarter of 1958 (included in the latest 12 months' statement) there was a record-breaking winter peak output of 1,258,000 kw, including an upturn in industrial sales.

The company sold 510,000 shares of common stock to stockholders of record Sept. 24, 1958 at $29 a share. The equity ratio at the end of 1958 was 40%. The company is borrowing about $18 mililon from the banks this year to take care of construction expenditures.

The dividend rate has been gradually stepped up from $1 in 1948 to $1.70 in 1959 and an indicated $1.80 for 1959. This year three quarterly dividends of 42½c were paid and a year-end quarterly payment of 52½c, bringing the total to $1.80. It seems unlikely that the last quarterly payments can be taken to indicate a jump in the 1960 rate to $2.10, since in 1957 the company paid three quarterly 40c dividends and a final 50c, without going to a $2 rate in 1958.

The stock has been selling recently around 38½ to yield 4.7%. The price-earnings ratio is 14 which compares with a recent industry average of nearly 17.

New Bennett Branch

ASBURY, PARK, N. J.—Bennett & Company has opened a branch office at 715 Mattison Avenue under the direction of Jerome W. Brownstein.

Copperweld Steel Debs. Marketed

Dillon, Read & Co. Inc. and Riter & Co. on Dec. 16 offered publicly $8,000,000 5% convertible subordinated debentures, due Dec. 1, 1979, of Copperweld Steel Company priced at 100%. The debentures are convertible into common stock at $56 per share, subject to the company's right of redemption.

Commencing Dec. 1, 1960, the debentures will be redeemable at the option of the company at prices ranging from 105% to par on or after Dec. 1, 1978.

Approximately $3,000,000 of the net proceeds from the sale of the debentures will be used to pay the company's outstanding short-term notes, and the balance will be added to the general funds of the company and used for the present expansion and improvement of its manufacturing facilities. It is estimated that this program will be completed by the end of 1962 and will cost approximately $15,800,000, of which approximately 60% will be used for the installation of facilities for the production of new products and approximately 40% for the modernization of existing facilities. A major new product is Alumoweld, which combines the electrical conductivity and corrosion resistance of aluminum with the strength of steel.

Vanguard Inv. Co. Formed

LOS ANGELES, Calif. — Victor Redstone is engaging in a securities business from offices at 8054 West Third Street under the firm name of Vanguard Investment Co.

First Offering of Behlen Mfg. Com. Stock Effected

The first public offering of shares of Behlen Manufacturing Company of Columbus, Neb., was made Dec. 16 by an underwriting group headed by Smith, Barney & Co., Kirkpatrick-Pettis Company and The First Trust Company of Lincoln, Neb. The offering consists of 370,000 shares of common stock, priced at $15.50 per share.

Of the 370,000 shares, 70,000 shares represent new financing by Behlen Manufacturing. The balance of 300,000 shares has been owned by members of the Behlen family who, after the offering, will own 65.42% of the 1,070,000 shares of combined common stock and class A stock to be outstanding.

Behlen Manufacturing produces, largely of its own design, a line of custom and mass produced metal buildings for farm, commercial and industrial uses and a line of metal corn cribs, grain dryers and grain bins. Established in 1941, the business from its beginning has been under the management and control of the Behlen family.

A cash dividend of 20 cents per share has been declared on the common stock, payable Feb. 1, 1960 to stockholders of record Jan. 20, 1960.

Joins Dempsey Staff

(Special to The Financial Chronicle)

MODESTO, Calif. — Robert C. Osburn has joined the staff of Dempsey & Co., 1024 J Street.

The Stock Market in The Scientific Sixties

Continued from page 3

shows that today only $685 in high-grade bonds give the same yields as $1,000 in common stocks. Since 1933 it has taken an average of $1,440 in high-grade bonds to get the same income as from $1,000 worth of stocks.

The conclusion based on such studies is that today's valuations are far above normal. This condition does not necessarily start a bear market but it does make a market more sensitive and vulnerable to unfavorable developments. Back in the 1947-49 period when stock prices were only one quarter as high as they are today, when it cost $700 to buy $100 worth of earning power, and when yields were 7%, the market could ignore most unfavorable news. With the cost of buying earning power around $1,850 today and with yields down to 3.10% the bull market must be fed with good news to keep it going. In the past such generous valuations have persisted for some time. Eventually, however, the cycle of the markets asserted itself and values returned to more normal levels.

Fundamental Influences

It is always wise to look at some of the fundamental influences that have, or that may in the future, influence investors' appraisals, to see if today's generous valuations are justified. Over the past 10 years we have been favored with an unusual combination of bullish influences. By coinciding, they have produced one of our most prosperous periods in history and one of our largest bull markets. It may be well to look at these factors to see which are still important and which have lost their influence.

The stock market is, on a smaller scale, like the broad movements that take place in history. It is well expressed in a review of the book "War and Peace" by Tolstoy—

"A king is a slave of history—He is merely the figurehead on a vessel driven by a force not his own.

"What then is the cause of historical movement? It is an endless and multitudinous chain of causes which neither Tolstoy nor any other man can hope to know.

"History is a welter of millions of purposes crisscrossing, coinciding, resolving, and again assembling and dispersing.

"When they happen to coincide, a great movement takes place; men with like purpose move in a mass and in one direction, the face of the world is in seething turmoil.

"The purposes then disintegrate and history relaxes."

If we substitute "stock market" for "history" the comments still apply.

(A) Influences That Have Been Important in the Past But That Are of Declining Significance or That Have Ceased to Exist—

(1) The large deferred demand for goods that existed in 1946 as a result of both the war and the severe depression in the 1930s. This was a great stimulus which now has lost its strength because many years of high level production have filled the pipe lines.

(2) Stock piling by the government. This was an $8 billion operation. Now it is found that many of these supplies are unnecessary and there has been considerable deterioration in quality.

(3) The rebuilding of foreign countries which stimulated our economy and created a large demand for our goods. Now these countries are back on their feet and are competing with us in the world markets.

(4) The easy money policy of the government which continued up to 1955. The discount rate which was 1½% in 1954 is now 4%.

(B) Favorable Influences of the More Permanent Nature—

(1) *Technological Progress.* When the history of this period is written, the economists and historians will refer to the technological revolution that is going on throughout the world. Some people have estimated that 50 years from now, half of the goods that we will use and buy will be things that are not produced or even known today. Scientific research is creating new industries, new products, new methods and new investment opportunities.

(2) *Greater Respectability of Common Stocks.* The institutional demand for stocks from investment companies, insurance companies, trust funds, educational institutions, savings banks, pension funds, etc., has been, and should continue to be, one of the important and favorable influences in the future. There have been estimates that every day several millions of dollars come into these funds that can be invested in common stocks.

(3) *Great Improvement in Business Management and in Professional Security Analysis.* Corporations are better managed today and there is better information available for use in making intelligent business decisions. The use of electronic computers will make this even truer in the future. Today too, security analysts have better statistics and sources of information to guide their decisions.

(4) *We Have Created a New Kind of Economy in This Country.* It has been called Peoples' Capitalism and it is a very different system from the type of capitalism that Marx criticized. Today corporations are owned by many people who are sharing in the profits. Labor has generously shared in this increased productivity also. Aldolf Berle says this new type of capitalism came as a result of (1) the development of the corporate form of business organization whereby companies are owned by many people rather than by a few families or individuals. (2) The rise of the Labor Unions that represent labor interests but that do not attempt to run the companies, (3) the government itself which attempts to direct and steer the economy so there will be a high level of employment.

(C) Some Influences Are Very Important But Are Uncertain Today—

(1) *Possible Easing of the Armament Race.* The question of whether the world blows itself up in atomic war that no one could win or whether it learns to coexist is the most important one facing us today. A disarmament policy would be welcomed by everyone if it were sincere on the part of all countries involved. It would, of course, create temporary problems for certain industries, companies and individuals. The government can smooth the transition by acting quickly to lower taxes and to create public projects to absorb people from defense industries.

(2) *Inflation.* From 1939 to 1949 the value of our dollar declined 40% and our stock market was practically unchanged in value. From 1949 to 1959 the value of the dollar declined only 20%, or half as much as in the preceding decade. Yet the market in 1959 was four times as high as in 1949. Inflation is a household word today—it was not widely discussed in 1949. Today, however, some prominent economists feel that deflation may be more important than inflation. Per Jacobsson, the Managing Director of the International Monetary Fund, said in a recent speech in Sweden that world inflation has come to an end and should not appear for a long time provided there is no interference with production increases.

(3) *Opposition to Wage-Price Spiral.* The outcome of the steel negotiations will be important to many other industries and to our general economy. It is most important now to stop the inflationary influence of wage increases which are not justified by production gains. We face serious competition from foreign countries. The average factory hourly wage in the United States is $2.23 while it is only 76 cents in Germany and 35 cents in Japan, so it is apparent that we will harm our world markets, especially in items where labor is a large percent of total manufacturing costs.

Conclusion Regarding Leading Influences

There are several important influences that are of permanent or long-term nature which should create a large demand for stocks in coming years, especially those that will reflect scientific progress. The other influences that have been important but that have diminished or even disappeared in significance should tend to temper those enthusiasts who project postwar trends too far into the future.

Other Factors Affecting Trends In 1960—

Long Term Upward Channel. Since 1942 there has been an upward channel in the industrial stock average (i. e., parallel lines drawn through important highs and lows). This line is going up at the rate of 10% a year. The upper line is at a level that is roughly 50% above the lower line. Twice the market has tested that upper line—in 1946 and again in 1956 — and then declined. Last summer it came close again. Its limits for 1960 are 500-550 on the downside and 750-825 on the upside. Interestingly, the bull market of the 1920s produced the same sort of an upward channel and in 1929 when the market reached 50% above its base line, the bull market was over. The reason for this behavior is that investors, like an army, hate to get too far from home base. Vulnerability of both an army and a stock market increases as the distance from the base is increased.

Election Year Trends. In considering the outlook for 1960 we have to remember that it is an election year. If we were in power and were spending between 20% and 25% of the money spent in this country we should not be very bright if we did not arrange our spending programs to create a feeling of good will in an election year. Also, if we knew that corrections had to come occasionally in our economy we would like to see them come early in the new four year term. Actually that has been the course in the past three election years. The trend of the market was flat — with good trading possibilities. The highs of election years of 1948, 1952 and 1956 were only 6½ to 8½% above levels at the start of those years. From those highs in election years the market went down 16%, 12% and 19½% to the lows in the post-election years of 1949, 1953 and 1957.

Margin Rates Are High. The market advance was not killed off in 1951 when margins were increased to 70%, but the pace slowed down. The gain to early 1953 was 25% before the good correction of 1953 was seen. In 1955 margins were increased to 70%. Again this did not kill the uptrend but it did slow it down. Before the 1957 correction occurred, however, the market had advanced another 25%. Margins were increased to 70% in 1958 and then a few months later to 90%. So far, this has had the same effect as the 1951 and 1955 increases. It has noticeably slowed the advance but has not killed it. Should the market continue to advance as much as it did after the other increases before it succumbed, it could go 10% higher than it was in the summer of 1959.

Low Priced Shares Finally Came to Life. One of the missing links in 1957 as far as an indication of important bull market peak was concerned was the absence of a speculative move in lower priced and lower quality shares. Such a move developed from April of 1958 to April of 1959 when these stocks moved up

much more sharply than the general market. Their index reached a level that was 40% ahead of that for the general market in April and since then has failed to keep pace with the better quality shares. It is a characteristic of bull markets to end after strength of low priced shares, but with a later move in higher quality shares as a grand finale.

Last 20% Rally and the Last 12 Months of Bull Markets. We have studied the action of the market during its last 20% advances in bull markets since 1919 and find that the average duration of such moves is 5¼ months. That last 20% gain is also lost in an average of the next 5¼ months. One has to be agile to take full advantage of these late but profitable moves when there also has been an active trading with a turnover of between 15%-30% of listed shares. Actually in studying the behavior in the last 12 months of all bull markets since 1897 we find that the average gain has been 32%.

Our Economy in 1960. The steel strike has probably pushed some of the busines activity that would have come in 1959 into 1960. After the steel strikes of 1952 and 1956 it actually took another year of high level activity before business slackened. For 1960 we estimate the following changes in leading economic indicators—

Gross National Product — up 5% to 8%;

Capital Expenditures—up 10%;

Auto Sales—7 million;

Disposable Income—up 6%;

Housing—down 10%;

Money—tight but available;

Federal Reserve Board Index—up 5%;

Corporate Profits—up 15%;

Dow Jones Industrial Average Earnings — $40-41 vs. $35-36 in 1959.

Conclusion of Study

Studies of economic and financial figures make some people bullish and some bearish. We couldn't have a stock market, with its need for both sellers and buyers, if this were not true. It is a bit like looking at sunlight through a prism. One man sees a red light, another sitting close to him is as certain that the color is green, while a third says it is yellow. Looking at these market influences and statistics today the color looks distinctly amber, or one that says to proceed more cautiously. This looks like the typical third sage of a bull market when optimism makes people pay higher than normal prices for shares. Such a condition can continue for some months. Today for the first time in 30 years bonds are offering real competition for investors' favors and funds since their yields are often 60% larger than on the average common share. Bull markets do not give in easily and investors are reluctant to establish profits and pay taxes so it is always possible that the market can move higher, especially in an election year. Should the gain from the 1959 summer peak of 680 extend another 10%-20% it would put the averages into vulnerable territory and would justify a shift of more funds into bonds in hope that in the post-election year of 1961 a larger number of shares could be acquired with the same money.

*An address by Mr. Rotnem at Dean's Homecoming for Commerce Alumni, New York University, Dec. 5, 1959.

A. C. Terrell With McDonald, Evans

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—Alva C. Terrell, Jr. has become associated with McDonald, Evans & Company, 1009 Baltimore Avenue, members of the Midwest Stock Exchange. Mr. Terrell was formerly manager of the municipal department of Soden Investment Company.

New Jersey Sells $66.8 Million Education Bonds

A merged group consisting of two accounts—one headed by The Chase Manhattan Bank and the other by Bankers Trust Co.—and including co-managers The First National City Bank of New York; Morgan Guaranty Trust Company of New York; Lehman Brothers; Smith, Barney & Co.; Halsey, Stuart & Co. Inc.; The First National Bank of Chicago; Drexel & Co., and Shields & Co. was the successful and only bidder for an issue of $66,800,000 State of New Jersey Higher Education Bonds, due Jan. 1, 1963 to 1975, inclusive.

The group bid 100.004 for the bonds as 4s, 3¼s, 3⅜s and 3.40s, representing a net interest cost of 3.41324% to the state.

On reoffering to the public, the bonds are priced to yield from 2.90% to 3.40%, according to maturity.

Other members of the offering syndicate include:

Harriman Ripley & Co., Inc.; Harris Trust and Savings Bank, Chicago; The First Boston Corporation; Phelps, Fenn & Co.; C. J. Devine & Co.; The Philadelphia National Bank; Chemical Bank New York Trust Company; Salomon Bros. & Hutzler; Continental Illinois National Bank and Trust Company of Chicago; Goldman, Sachs & Co.

The Northern Trust Company, Chicago; Fidelity Union Trust Company, Newark; Blyth & Co., Inc.; National State Bank, Newark; Merrill Lynch, Pierce, Fenner & Smith Inc.; Eastman Dillon, Union Securities & Co.; Kidder, Peabody & Co.; Glore, Forgan & Co.; Kuhn, Loeb & Co.; First National Bank of Oregon, Portland; Stone & Webster Securities Corporation.

L. F. Rothschild & Co.; Blair & Co., Incorporated; B. J. Van Ingen & Co., Inc.; R. W. Pressprich & Co.; Bear, Stearns & Co.; Ladenburg, Thalmann & Co.; White, Weld & Co.; Mercantile Trust Company, St. Louis; Equitable Securities Corporation; Wertheim & Co.; Carl M. Loeb, Rhoades & Co.; Hornblower & Weeks; A. C. Allyn and Company, Incorporated; Lazard Freres & Co.

Van Alstyne, Noel & Co. Heads Victoreen Synd.

Van Alstyne, Noel & Co. is manager of an underwriting group which offered on Dec. 15 an issue of $2,500,000 Victoreen Instrument Co. 6% convertible subordinated debentures, due Dec. 15, 1974, at 100% and accrued interest from Dec. 15, 1959. The debentures were selling at a premium within hours of the offering.

Net proceeds from the sale of the debentures will initially be used by the company to retire a presently existing bank loan which was incurred on Sept. 1, 1959 to acquire the assets of Standard Felt Co. The balance of the proceeds will be added to the company's general funds to be used for general corporate purposes, including the development and acquisition of new products for the company and its subsidiaries or the acquisition of other companies, or for both purposes.

The debentures will be convertible into common stock at an initial conversion price of $12.50 per share. The debentures are redeemable at optional redemption prices ranging from 105% to par, and for the sinking fund at a redemption price of par, plus accrued interest in each case.

Boenning Group Offers Debentures Of United Marine

An investment banking group headed by Boenning & Co. on Dec. 15 offered publicly $1,250,000 of 6% sinking fund debentures, due 1974, and 125,000 common shares of United Marine, Inc. The debentures bear non-detachable warrants to purchase 100 shares of common stock per $1,000 of debentures. The debentures and stock are being offered at a price of $1,125 per unit—each unit consisting of $1,000 of debentures and 100 shares of common stock.

United Marine was organized in April, 1959, to acquire the plants and assets of Richardson Boat Co., Inc. of North Tonawanda, N. Y. and Colonial Boat Works, Inc. of Millville, N. J. These assets are to be transferred to United for a total consideration of $1,150,400, pursuant to a purchase contract.

United Marine has issued 125,000 shares of common stock for $250,000 in cash. It has used $228,000 of this cash to make periodic payments under the purchase contract. The balance of this cash and approximately $950,000 of the net proceeds from the offering of these units are to be used to complete the payments under the contract and the expenses of its negotiation.

United Marine plans to enter the smaller boat field. A new location is being considered for a separate plant for the production of a 24-foot lap strake skiff in the comparable price range of automobiles. When the new skiff is in production the company will be in a position to take advantage of the mass market developing for small boats.

Richardson and Colonial sell through about 95 independent dealers in boating centers throughout the country, and Pacific Coast markets have been successfully established in recent years.

A pro forma statement of earnings of United Marine, Inc. for the year ended Sept. 30, 1959, shows net earnings of $70,597, equivalent to 28 cents per share based on 250,000 shares of common stock to be outstanding.

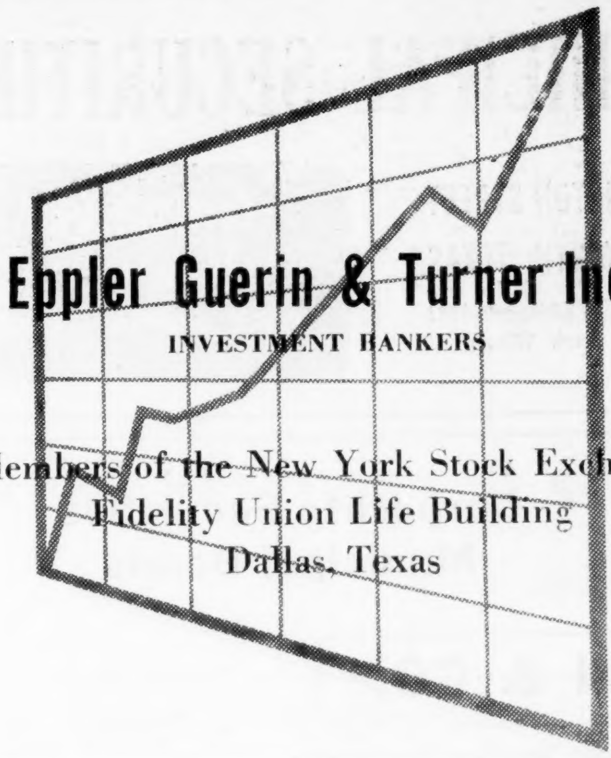
Upon completion of this financing, United Marine will have outstanding $1,250,000 of 6% sinking fund debentures and 250,000 shares of $1 par value common stock.

Sincere and Company is associated with Boenning & Co. in the offering.

G. Everett Parks Offers Motel Issue

On Dec. 11 G. Everett Parks & Co., Inc., of 52 Broadway, New York City, offered 133,000 shares of the common stock of Intercontinental Motels, Ltd.

The issuing company was incorporated in Delaware on Sept. 10, five days before it acquired Towne House, a 60-unit motor lodge with a pool and restaurant, located in Martinsville, Va. The company intends to provide a "Towne House" franchise plan and central buying system, for which it intends to charge license fees.



SECURITY SALESMAN'S CORNER BY JOHN DUTTON

Placing Customer's Welfare First, Pays Dividends!

There is no need to overemphasize the effective long range results that always redound to the benefit of any person who goes about his task (whatever it may be) with the attitude that he must always "give" as well as "get." This old fashioned idea is still paying off in every field of activity today, just as it did years ago when it was considered a basic philosophy of life in this country. Despite the charlatans that despoil the business scene around us today, there are honest and concientious people in every line of business activity that have steady customers and who have built what amounts to an annuity for themselves.

In my own experience I have found a competent radio and television repairman, an expert automobile mechanic, a good lawyer, an excellent doctor, a capable and reliable insurance man, and a gardner who keeps the bugs out of my Florida lawn (and if they come back during the summer he chases them out for me at no extra cost). These people have my confidence, they save my time and do not try my patience. They do not overcharge me, they give me a good job, and as a result they are in demand. I have sent many patients to my doctor and dentist, and other friends to these reliable people who help me to live better. I did not find them overnight; but find them I did, and you can bet I won't stray when I need their services.

One Tire—No More Business

You may think I have gone pretty far afield for this week's material when I tell you that the other morning one of my front tires went flat while driving to work. It was my wife's car and I was using it to keep the battery up. She doesn't drive it very much. A garage was very close to the spot where the mishap occurred. I drove in and to my dismay I noticed I did not have a key to the trunk and I could not get the spare tire that I needed for a replacement. Rather than waste time I asked if I could buy a new tire. Seeing my predicament I was promptly overcharged by about $8, they kept my car for over several hours, charged an extra dollar and a half for putting on the new tire I had bought from them and when I returned I had to ask three people where to find my car which they had moved to a lot about a block away from the place I had left it. By this time I was at a point where I did not even care to argue about the whole business and I left in disgust.

The point of this story is that possibly unbeknown to the owners and operators of this garage, the employees who ran the service department completely unsold me on ever doing any business with this firm again. I have been considering a new car which is sold by the people who have the agency for this area who also own and operate the garage where this type of treatment was handed out to me. Certainly I could not place confidence in anything they might offer to me in the way of a new automobile. Even if the car is made by a reputable manufacturer I would be skeptical of any warranties they make as a dealer; and certainly of their repair service. For a few dollars extra profit on a tire they possibly missed a customer for an automobile.

What Has This to Do With the Securities Business?

It doesn't matter whether it is securities or tires, bottles, bacon or a suit of clothes, when people need something and they buy it they want to believe that their interest is being served. Last spring I worked on a community project to help raise some funds for a much needed local hospital. I met a man there who became interested when he learned that I was in the securities business. He asked me if I thought he should buy some speculative railroad bonds. I told him I would send him some information, which I did in detail. When he asked me a few days later what I thought he should do, I stuck out my chin and said, "They look high to me. They have had a 25 point advance in the last six months. I think they may be all right but I don't believe I would buy them. However you can do so if you wish and I will be pleased to handle the order for you and open an account for you." He did not buy them and I happened to be right for a change. The bonds declined from 116 to 90 over the summer. Last week he telephoned me and said, "How about lunch, I have my list with me; possibly you would like to see it and give me your opinion?" We had the lunch, I have the list, and I have my first order for some bonds for his wife. Besides, it looks like I have opened another substantial account that can well repay me for giving this man an honest opinion which I believed at the time was the procedure that would bring him the most benefit.

Don't overcharge on the tire and you may sell an automobile!

Investment Bankers Ass'n Holds 48th Ann. Convention

Continued from page 1

1949 he has been a member of the Board of Trustees for the incorporated village of Muttontown, Long Island. He is also on the Board of Trustees of the Turtle Bay (Community) Music School of New York and is Chairman of the Investment Banking Committee for the United Hospital Fund in New York City.

Club memberships include: The Creek Club (member of the Board of Governors) and the Beaver Dam Winter Sports Club, both of Locust Valley, Long Island. His athletic interests are golf, tennis, and skating.

Mr. Lee is married to the former Emily D. Schniewind; they have two married sons and three grandchildren. The Lees reside in Brookville, Long Island.

The New President's Address

The text of Mr. Lee's inaugural address follows:

"In opening my remarks I must pay my deepest respects to the memory of my close friend, Jack Hagan. He was a man who exemplified the finest traditions of leadership, in business and in civic and philanthropic work. His interest in the welfare of this Association is well known. Our lives are richer for having known him as a friend.

"It is a great honor that you have conferred upon me. I accept your confidence with enthusiasm, particularly with the knowledge that the men who make up the Association team at all its levels are dedicated to making our industry one which is a constructive force in the American way of life.

"I would like to thank all those who have agreed to serve as National Committee Chairmen for their willingness to give of their time to this vital work. Many of them headed the same committees last year. You know from the reports that have been summarized in open meeting of the significance of this work, and what an important contribution it is to the industry. These reports contain information most valuable to our membership. They are prepared by technicians—they must be used. If you have not already done so, make them amongst your "must reading"—have them distributed to key men in your organizations.

"I would like to commend Bill Kerr for the outstanding leadership that he has given to his administration as its President. He has guided us with an understanding of, and devotion to, the highest principles of our business. He takes his place with those leaders in our industry whose performance of their obligations are difficult to match.

"During this convention we have been privileged to hear addresses by our four guests of honor. They put forward challenging ideas to our industry and to each of us individually. Indeed this has been an outstanding week.

"As to the ensuing year, I would like to state that it is my intention to attend each of the Regional meetings. The roster of the Chairmen of the Regional Committees and their committee members is most impressive. They are capable and energetic men and I anticipate cooperating with them in every way possible.

The accomplishments of our Association also depend to a large degree upon our staff members. We are fortunate in having such a devoted, conscientious and hard working group in our Washington office, always alert to the needs of our members. They represent one of our most valuable assets.

"1960 like all other years of the 20th century will present to us new challenges and new opportunities. It will require wise conduct of our affairs.

"Our society is built around a *high ideal*—freedom of the individual.

"In the complex workings of our society let us not lose sight of our goal. We must not become so engrossed in our personal business that we neglect our duties as citizens.

"To meet these challenges and opportunities the essential growth must take place in the individual—this is our responsibility.

"In closing I would like to emphasize again how deeply appreciative I am for your confidence. I am aware of my responsibilities. I will do my best to discharge them."

Retiring President's Views

The first session of the convention was addressed by its President, William D. Kerr, who in laying down his office alerted the membership to the challenges and opportunities facing them.

Mr. Kerr remarked in part, as follows:

"I am grateful beyond words for the honor to have served as President of the Association. This same day in 1958 seems like only yesterday. I was then prepared for an interesting year with plenty of work. I have not been disappointed. However, a tremendous plus took place in the overwhelm-

Customers Brokers Meeting on Dec. 21

The Association of Customers' Brokers will hold an educational meeting on Dec. 21 at 4:00 p.m. at the new quarter of the NYSSA (15 William Street).

Speakers will be Col. Oliver J. Troster, Troster, Singer & Co., who will describe the over-the-counter market and current opportunities for investment; Ray Trigger, Investment Dealers' Digest; and Paul Sarnoff, Lerner & Co., who will discuss the techniques in the use of Puts & Calls.

Grunberg Branch

SCRANTON, Pa. — Grunberg & Co. has opened a branch office in the Brooks Building under the direction of Anthony P. Perry.

ing warmth of greeting that I received from the groups around the country and the terrific enthusiasm with which the working members of our broad organization stepped up to their responsibilities. The spirit of IBA in direct contact is downright impressive.

"The Association staff in Washington is willing and competent—eager to be helpful not only to the President and other officials but to every member in every group. As your problems arise they want to aid you, they want to hear from you. In almost any phase of our business, someone on the staff is able to render expert assistance.

"A great variety of colorful adjectives is being used to describe the road that lies ahead for the people of this country — words such as 'frightening'—'stimulating' — 'challenging.' Frightening — I will recognize only to say this sensation is a machination of lazy, inflexible and passive thinking — a state of mind we must wholly reject.

"Stimulating—strikes a responsive chord. What could be more exciting than the prospect that we here in this room will be witness to the miraculous development of the space age—that we may take a sight-seeing tour around the world in a few hours time. The technological advancements to come out of our laboratories in the next ten or twenty years may outrun even the most lively imaginations. Certainly, the opportunities for the Investment Banker and his clients will be countless."

Real Challenges Facing Us

"Challenging — this is the adjective which we must heed. As Investment Bankers we have a profound obligation to the people of this country, and of the world for that matter, in the years immediately ahead. I visualize a titanic struggle between the forces that would foster and perpetuate our local governments and our right to the well known freedoms —and those who would turn these United States into a hugh Federal omnibus in which the individual would be reduced to being a number in a file. Thus, we who know the invariable wisdom of balanced budgets, of stable money and of sound debt management must be moved to use every means at our command—writings, speeches, interviews, T-V and radio appearances — to convince the people of this country, including those in high authority, that their standard of living, the very future of their children and grandchildren, even the freedom of their daily lives is at stake. This is a real challenge to us, each one individually.

"Another challenge is this—are we willing to practice financial self-restraint? In this battle to dissuade our people from inflationary indulgences and placid acceptance of a slow drift toward socialism, the worst setback our cause could suffer would be a financial debacle due to malfunctions of the Investment Banking machinery. The facilities of our industry will continue to play a vital role in financing industrial and commercial progress — only the pace will accelerate. Here we must use discretion. We must not be tempted by a ready profit to do financing that will not pass the test of prudence and logical conception. Ours is the grave responsibility to bring searching good judgment to the representations we make to all customers, but most particularly to those newcomers who are—for the first time—experiencing the satisfaction of becoming security purchasers. We must—in the interests of the survival of the free enterprise system—keep our business conduct at high standards without exception.

"I am confident the members of our association will successfully meet these and all other challenges with courage and direction. We are more expert, more alert, better qualified than ever before. We will have no time to be frightened."

New Governors

The incoming Governors elected by their respective Groups and who took office at the 1959 Convention are:

California Group: Alger J. Jacobs, Crocker-Anglo National Bank, San Francisco.

Central States Group: Edde K. Hays, Dean Witter & Co., Chicago, and Erwin A. Stuebner, Kidder, Peabody & Co., Chicago.

Eastern Pennsylvania Group: Harley L. Rankin, Goldman, Sachs & Co., Philadelphia.

Mississippi Valley Group: Jerome F. Tegeler, Dempsey-Tegeler & Co., St. Louis.

New England Group: Thomas B. Gannett, Hornblower & Weeks, Boston.

New York Group: W. Scott Cluett, Harriman Ripley & Co., Inc., New York; Cushman McGee, R. W. Pressprich & Co., New York, and Harold H. Sherburne, Bacon, Whipple & Co., New York.

Pacific Northwest Group: Josef C. Phillips, Pacific Northwest Company, Seattle.

Southeastern Group: LeRoy A. Wilbur, Stein Bros. & Boyce, Baltimore.

Southern Group: Alexander Yearly, IV, The Robinson-Humphrey Company, Inc., Atlanta.

Texas Group: Robert E. Moroney, Moroney, Beissner & Co., Houston.

Group Chairmen

The Group Chairman for 1959-60 are as follows:

California: Murray Ward, E. F. Hutton & Company, Los Angeles.

Canadian: N. D. Young, Dominion Securities Corp. Limited, Toronto.

Central States: Edward D. McGrew, The Northern Trust Company, Chicago.

Eastern Pennsylvania: George W. Elkins, Jr., Elkins, Morris, Stokes & Co., Philadelphia.

Michigan: Herbert D. Hunter, Watling, Lerchen & Co., Detroit.

Minnesota: Paul E. Matsche, Paine, Webber, Jackson & Curtis, St. Paul.

Mississippi Valley: Clarence F. Blewer, Blewer, Glynn & Co., St. Louis.

New England: Robert S. Weeks, Jr., F. S. Moseley & Co., Boston.

New York: Edward Glassmeyer, Blyth & Co., Inc., New York.

Northern Ohio: Thomas A. Melody, Merrill, Turbin & Co., Inc., Cleveland.

Ohio Valley: Ralph G. Elam, Sweney, Cartwright & Co., Columbus.

Pacific Northwest: William B. Boone, Dean Witter & Co., Portland.

Rocky Mountain: Roger D. Fraley, Merrill Lynch, Pierce, Fenner & Smith, Denver.

Southeastern: Joseph J. Muldowney, Scott & Stringfellow, Richmond.

Southern: John B. Sanford, Jr., White, Hattier & Sanford, New Orleans.

Southwestern: H. I. Josey, H. I. Josey & Company, Oklahoma City.

Texas: B. F. Houston, Dallas Union Securities Co., Inc., Dallas.

Western Pennsylvania: A. Lowrie, Applegate, Hulme, Applegate & Humphrey, Inc., Pittsburgh.

The Chairmen of the hard-working National Committees have not as yet been designated. As soon as the Committee selections are made they will be published in the "Chronicle."

Speech on Investment Securities Regulation by Comptroller of the Currency Examiner

Hollis S. Haggard, Chief National Bank Examiner, Office of the Comptroller of the Currency, spoke before the municipal forum of the 48th annual convention on Nov. 29. His subject dealt with the Investment Securities Regulation of the Comptroller of the Currency, particularly with respect to state and municipal bonds.

In his talk, Mr. Haggard made these observations:

"Municipal securities form an important segment of the asset structure of the National Banking System. On June 10, 1959 the 4,559 national banks had total assets of $126,254,000,000. Their investment in obligations of states and political sub-divisions aggregated $9,072,000,000, while the investment in other bonds, notes and debentures was $1,650,000,000. The latter figure is estimated to include about $1,100,000,000 of Special Revenue Municipal Authority obligations.

"Our basic principle on the subject of municipal obligations as bank investments is credit soundness and it is equally applicable to general obligations and Special Revenue obligations. The fact that general obligations of any state or any political sub-division thereof are exempt from the usual statutory limitations and restrictions regarding securities investments of national banks does not mean that any and all such general obligations are suitable bank investments. Credit soundness in a portfolio can be maintained only by the exercise of informed credit judgment, which entails the evaluation of all relevant financial facts. Informed credit judgment must be exercised not only in connection with the purchase of securities; it must be continued thereafter through periodic reappraisal. We find no tendency on the part of bankers to purchase low-quality—hence illegal—issues. There is greater danger of failure to recognize and eliminate issues in which weaknesses have developed subsequent to their acquisition. In some of the smaller banks we find concentrations of such size in bonds of particular municipalities or political sub-divisions as to cause concern, although we recognize the bank has a responsibility to aid in the financing of local governmental bodies. In such cases credit soundness is of paramount importance.

"We, therefore, are increasingly insistent upon maintenance by the banks of adequate credit files in support of all holdings of investment securities, including municipals and special revenues. In this connection, we recognize that problems arise in procuring and maintaining adequate information in support of smaller issues, but it is important that these problems be resolved to the greatest extent possible.

"There now appears in the comptroller's Digest of Opinions, paragraph 355 dealing with required credit information in support of municipal obligations. . . .

'With respect to each issue of investment securities the minimum information to be maintained in the banks' files should include reasonably current financial and operating statements. Although the rating services and investment counsellors play an important part in the intelligent and informed acquisition of securities by banks, management may not under any circumstances delegate its responsibility for maintaining a sound

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investment account to a rating service or any other individual or entity. Therefore, it is incumbent upon management to use all necessary and available sources of information to keep informed and the data obtained should be retained for ready reference.

"Within the near future, paragraph 355 will be revised so as to give more flexibility and yet require adequate information. That portion of the regulation now reading 'The minimum information to be retained and analyzed in support of a proper credit judgment of municipal obligations is as follows:' will be revised and in substance will read:

'The information to be retained and analyzed in support of proper credit judgment should be reasonably current and of a nature and in sufficient detail as to establish clearly the size and character of the debts, the present and future ability to discharge the debts, and the past experience of the municipality in satisfying its obligations. Information covering or suggested by many of the following, though not necessarily all-inclusive points, may be necessary to complete a thorough analysis of the obligations of each such issuer. (Here will follow the same items A to K as now appear.)

"We know and appreciate that your Association and its individual members are very important factors in the procuring and dissemination of financial information in support of all types of investment securities. We believe that much of the substantial progress made by bankers in recent years to maintain adequately informed positions relative to the investment portfolios of their banks stems in no small measure from the efforts of your Association members to provide and make available basic credit data on the issues handled by them."

Education Committee Report

The Annual Report of the Education Committee was delivered to the Association at its annual meeting by the Committee's Chairman, Robert O. Shepard of Prescott, Shepard & Co., Inc., Cleveland. The report included educational, public relations, and public education activities of the National Committee and of the Committee's Group Educational Committees. Details of this may be found in the *IBA Educational Bulletin* (Number 13, December, 1959) which covered the full review of the Committee's statement to the annual convention.

The Educational Committee's paper recapitulated the group visits and other activities of President William D. Kerr. Also it reviewed the following accomplishments: the 1959 Institute of Investment Banking held at the University of Pennsylvania, March 22-27; the programs of the various Group Education Committees in the fields of recruitment, selection, training, public information and promotion, and special projects by special committees; the concentrated four-week summer course on Fundamentals of Investment Banking sponsored by the IBA Education Committee in cooperation with the School of Business, Northwestern University, Aug. 9-Sept. 4, which graduated 46 investment banking trainees; a summary of the IBA Training Courses, Registered Representative Requirements and Correspondent courses.

Also the successes and availability of the new IBA motion picture, "The Richest Man in Babylon"; the achievements of the IBA's staff members; the new IBA book, *Fundamental of Municipal Bonds,* prepared by Gordon L. Calvert, Municipal Director of the Association, with the editorial assistance of a special Handbook Committee, sold for $2 each and available from the Washington office; the current status of educational television; reports of the Junior Investment Associations; the ninth annual Forum on Finance held last June 15-July 2 at the Graduate School of Business, New York University, sponsored by the Joint Committee on Education representing the American Securities Industry; the Northern Ohio Group's tenth annual lecture series; the Investment Association of New York's forthcoming book, *Wall Street—20th Century,* dealing with a "Comprehensive Survey of the Financial World"; and brief notes on educational and public relations activities.

Elsewhere below is a description of the "Essay Awards" given out by the Institute of Investment Banking. The Education Committee membership is as follows:

Robert O. Shepard, Chairman, Prescott, Shepard & Co., Inc., Cleveland.

Walter E. Auch, Bache & Co., Detroit.

William O. Apthorp, Tucker, Anthony & R. L. Day, Boston.

Brace Bennitt, Jr., Piper, Jaffray & Hopwood, Minneapolis.

Charles F. Conners, Pohl & Company, Inc., Cincinnati.

Powhatan M. Conway, The Bankers Bond Co., Inc., Louisville.

John W. Dayton, Jr., Clark, Dodge & Co., New York.

Jack O. Doerge, Saunders, Stiver & Co., Cleveland.

F. Kenneth Easter, Dean Witter & Co., Seattle.

Norman Farquhar, Alex. Brown & Sons, Washington.

Gus G. Halliburton, Equitable Securities Corporation, Nashville.

J. Earle Jardine, Jr., William R. Staats & Co., Los Angeles.

George S. Kemp, Jr., Abbott, Proctor & Paine, Richmond.

Newell S. Knight, Mercantile Trust Company, St. Louis.

William J. Lawlor, Jr., Hornblower & Weeks, Chicago.

John Latshaw, E. F. Hutton & Company, Kansas City.

Edgar J. Loftus, W. E. Hutton & Co., Philadelphia.

Milton Luce, Jr., Luce, Thompson & Crowe, Inc., Kansas City.

Luttrell Maclin, Paine, Webber, Jackson & Curtis, New York.

Robert Mason, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Chicago

W. Carroll Mead, Mead, Miller & Co., Baltimore.

Bernard J. Nees, Johnston, Lemon & Co., Washington.

John W. Pancoast, Dewar, Robertson & Pancoast, San Antonio.

Gerald P. Peters, Jr., Peters, Writer & Christensen, Inc., Denver.

Eugene M. Reese, Newhard, Cook & Co., St. Louis.

Dwight W. Robinson, Merrill Lynch, Pierce, Fenner & Smith, Incorporated, Pittsburgh.

Harold H. Sherburne, Bacon, Whipple & Co., New York.

Wendell W. Witter, Dean Witter & Co., San Franicsco.

Proposed Public Information Program on Municipals

The following report of Special Committee of the Investment Bankers Association of America on the Proposed Public Information Program on Municipal Securities, November 1959, was adopted by the IBA Board of Governors in Executive Session, Tuesday afternoon, Dec. 1, 1959.

"At the Spring meeting of the IBA in May of this year the Municipal Securities Committee approved a proposal for a broad public information program on new issues of municipal securities, to be financed by a contribution of five cents per $1,000 municipal bond collected by the syndicate manager on each issue of $500,000 or more. President Kerr sent to all members of the Board of Governors, a copy of the reported recommendations on the proposed program and a summary of the pros and cons regarding the proposed program. By the time of the Board meeting at Santa Barbara in September, it had become apparent that there was strong opposition to certain aspects of the proposed program and its financing, as well as strong support for the proposed program.

"At the meeting of the Board of Governors of the IBA at Santa Barbara, a committee consisting of Messrs. William M. Adams; Edward Glassmeyer; Robert C. Johnson, William H. Morton; Delmont K. Pfeffer; Walter H. Steel, and Chairman Francis A. Cannon, was appointed to evaluate the proposal and to attempt to reach an accord on a public information program for municipal securities which would be equally acceptable to both the proponents and the opponents of the program as originally proposed.

"We are pleased to report that the following conclusions and rec-

ommendations are unanimously submitted by the members of this committee.

"At the outset, we recognize the desirability of broadening the market for all types of securities, for education within our industry and for better public information on securities. Since the Investment Bankers Association is the principal national organization for investment banking firms underwriting and dealing in municipal securities, we recognize the desirability of operating within the IBA any educational or public information program regarding municipal securities.

"The committee, after careful consideration, concluded that the program as initially proposed was too ambitious and broad, particularly in respect to a large budget for paid industry advertisements; that the proposed method of financing the program was unacceptable. This committee proposes that a public information program regarding municipal securities should be focused on education of the personnel of investment banking firms and their clients, by providing firms with effective material for public information and promotional use.

"Accordingly, this Committee recommends that the IBA undertake an education and public information program on municipal securities on the following basis:

"(1) That the program be directed toward the preparation of promotional material to be distributed to members. Additional copies for mailing to clients and personnel will be available upon request, on a price basis, which will defray in part the expense of the Association in the program, and in addition, the preparation of material for education of investment banking personnel and for public information through magazine articles, news stories and related media.

"(2) That an additional person be employed on the IBA staff to direct this program, in cooperation with other members of the staff, the Board of Governors and the Municipal Securities Committee.

"(3) That it be financed entirely within the IBA budget, without any increase in dues, on a trial basis for three years."

Essay Awards—1959 Institute of Investment Banking

The manuscript "Inflation and Stock Prices: Do Common Stocks Provide Adequate Protection Against Inflation?" By Raymond B. Garcia, J. M. Dain & Company, Incorporated, Minneapolis, in the 1959 Institute of Investment Banking essay competition was the All-Institute winning paper as well as the best paper submitted by a registrant of the First Year Class.

Brace Bennitt, Jr., Piper, Jaffray & Hopwood, Minneapolis, was adjudged the winner for the Second Year Class. The title of his essay: "Estate Planning."

John J. Jackson, Baker, Watts & Co., Baltimore, submitted an essay "Country Bank Investment Policy" which was adjudged the winning manuscript for the Third Year Class.

Writers of these winning essays will receive cash awards as follows: Raymond Garcia, $500; Brace Bennitt, $250; and John Jackson, $250; They have also been invited to attend the Annual Convention of the Association (at their own or company expense). Robert O. Shepard, Chairman, Institute Planning Committee, presented the three men to the delegates at the Convention. Raymond Garcia, the All-Institute winner addresed the meeting.

Site and Date of Next Year's Convention

The 1960 Convention of the Association will be held at the Hollywood Beach Hotel, Hollywood, Florida, Nov. 27 to Dec. 2.

Public Service Electric & Gas Shs. Placed on Market

Merrill Lynch, Pierce, Fenner & Smith Incorporated and associates are offering 800,000 shares of no par value common stock of Public Service Electric and Gas Co. at $36.375 per share.

Proceeds from the sale of these shares will be added to the general funds of the company and will be used by it for general corporate purposes, including payment before maturity of $15,000,000 of unsecured short-term bank loans, and including payment of a portion of the cost of its current construction program.

The company supplies electricity and gas to about two-thirds of the population of the State of New Jersey (1950 census—4,835,329). In the 12 months ended Aug. 31, 1959, the company's operating revenues aggregated about $361,000,000, of which about 66% was derived from electric operations and about 34% from gas operations. The company's electric and gas service area, located principally between New York City and Philadelphia, extends generally from the New York State border in northeastern New Jersey to Camden and vicinity in the southwestern part of the state. Heavily populated territory includes industrialized areas such as those in and around the following cities: Newark, Jersey City, Paterson, Trenton, Camden and Elizabeth.

Indiana General Secondary Issue Publicly Offered

An offering of 50,000 shares of common stock of Indiana General Corp. was made Dec. 16 by an underwriting group headed by Kuhn, Loeb & Co. and Arnhold & S. Bleichroeder, Inc. The stock was priced at $84.50 per share.

The offering does not represent new financing by Indiana General and the company will not receive any of the proceeds from the sale of the stock. The shares offered comprise part of the 208,270 shares of Indiana General common stock issued in exchange for all outstanding common stock of General Ceramics Corp. upon the recent merger of the latter company into The Indiana Steel Products Co. The merger became effective on Nov. 16, 1959, at which time the new corporate title, Indiana General Corp., was adopted. The names Indiana Steel Products Co. and General Ceramics Co. now identify operating divisions of Indiana General.

York & Mavroulis Formed

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn.—York & Mavroulis, Inc. is engaging in a securities business from offices at 76 South Eighth St.

With L. A. Huey Co.

(Special to The Financial Chronicle)

DENVER, Colo.—Charles G. Larsen has become affiliated with L. A. Huey Co., First National Bank Building.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

Abbott-Warner Co., Inc.
Aug. 12 (letter of notification) 62,500 shares of common stock (no par). **Price**—$2.70 per share. **Proceeds**—To prepare estimates and to submit bids, as prime contractor on specialized construction projects. **Office**—123 Denick Avenue, Youngstown, Ohio. **Underwriter** — Strathmore Securities, Inc., 605 Park Building, Pittsburgh 22, Pa. This offering is expected to be refiled.

Admiral Plastics Corp.
Dec. 4 filed 160,000 shares of common stock (par 10 cents), of which 150,000 shares are to be publicly offered. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Office**—446 12th Street, Brooklyn, N. Y. **Underwriters**—Filor, Bullard & Smyth and Hardy & Co., both of New York City, who are entitled to purchase for $500 five-year options to acquire for 75 cents per share the 10,000 shares not accounted for above. **Offering**—Expected in January.

Aircraft Dynamics International Corp. (1/15)
Sept. 25 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For general corporate purposes. **Office**—229 S. State Street, Dover, Del. **Underwriter**—Aviation Investors of America, Inc., 666 Fifth Avenue, New York 19, N. Y.

Alaska Consolidated Oil Co., Inc.
Sept. 17 filed 3,000,000 shares of common stock (par five cents). **Price**—$2.50 per share. **Proceeds**—For further development and exploration of the oil and gas potential of the company's Alaska properties. **Office**—80 Wall Street, New York. **Underwriter**—C. B. Whitaker Co., New York. **Offering**—Expected in about three to four weeks.

★ **All-Alaska Broadcasters, Inc.**
Dec. 8 (letter of notification) 1,600 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For working capital. **Office** — Lathrop Building, Anchorage, Alaska. **Underwriter**—None.

Allied Producers Corp.
Dec. 3 filed 1,000,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For working capital to be used in the purchase of oil and gas properties and related forms of investment. **Office**—115 Louisiana Street, Little Rock, Ark. **Underwriter**—The offering is to be made by John L. Hedde, President of the issuing company and owner of 10,000 of its 80,000 presently outstanding shares. Mr. Hedde will work on a "best efforts" basis, and will receive a selling commission of 12 cents per share on Arkansas sales and 15 cents per share on out-of-state sales.

Allied Small Business Investment Corp.
Sept. 29 filed 100,000 shares of common stock (par $8). **Price**—$11 per share. **Proceeds**—To be used to provide equity capital and long-term loans to small business concerns. **Office**—Washington, D. C. **Underwriter**—To be supplied by amendment.

American Frontier Life Insurance Co.
Nov. 30 filed 200,000 shares of capital stock. **Price**—$8 per share. **Proceeds** — To increase capital and surplus. **Office**—1455 Union Ave., Memphis, Tenn. **Underwriter**—Union Securities Investment Co., also of Memphis, which will receive a selling commimsmsion of $1.20 per share.

American Gypsum Co.
Dec. 4 filed 518,050 shares of common stock and $1,200,000 of 7% first mortgage notes, to be offered in units consisting of $100 principal amount of notes and 40 shares of stock. **Price**—$300 per unit. **Proceeds**—For general corporate purposes, including construction equipment, and working capital. **Office**—323 Third Street, S. W., Albuquerque, N. Mex. **Underwriters**—Jack M. Bass & Co., Nashville, Tenn., and Quinn & Co., Albuquerque.

★ **American Hospital Supply Corp. (1/13)**
Dec. 11 filed 200,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For working capital, construction, and $200,000 for the purchase of stock in Hoffman Pinther Bosworth, S. A. **Office**—2020 Ridge Ave., Evanston, Ill. **Underwriters**—Eastman Dillon, Union Securities & Co., and Smith, Barney & Co., both of New York City.

American Investors Syndicate, Inc.
June 25 filed 600,000 shares of common stock (par 10 cents), and 200,000 shares of 6% preferred stock (no par value, $9 stated value), to be offered in units consisting of 3 shares of common ($1 each) and 1 share of preferred ($9). **Price**—$12 per unit. **Proceeds**—For construction and related expenditures. **Office**—513 International Trade Mart, New Orleans, La. **Underwriter**—Lindsay Securities Corp., New Orleans, La. The SEC had scheduled a hearing, to begin on Sept. 2, which will determine whether a stop order will be issued suspending the offering. No decision has been announced.

★ **American Land Co.**
Dec. 14 filed 300,000 shares of class A preference stock ($15 par) and 300,000 shares of common stock, to be offered in units of one share of preference and one share of common. **Price**—To be supplied by amendment. **Proceeds**—For property acquisition and development. **Office**—49 E. 53rd Street, New York City. **Underwriter**—Hemphill, Noyes & Co.

American Service Life Insurance Co.
Sept. 14 filed 300,000 shares of common stock (par 40¢). **Price**—$3.50 per share. **Proceeds**—For general corporate purposes, including, possibly, the acquisition of similarly engaged companies. **Office** — 113 Northeast 23rd Street, Oklahoma City, Okla. **Underwriter** — First Investment Planning Co., Washington, D. C.

American Yachting Systems, Inc.
Oct. 30 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For general corporate purposes. **Office**—Roslyn, N. Y. **Underwriter**—Hilton Securities Inc., formerly Chauncey, Walden, Harris & Freed, Inc., 580 Fifth Avenue, New York, N. Y. **Offering**—Expected any day.

Anelex Corp.
Nov. 18 filed $2,250,000 of subordinated debentures, due Dec. 1, 1974, with warrants attached to purchase 45,000 shares of common stock (par $1) and (2) 90,000 shares of common stock (par $1). The debentures and stock are to be offered in units consisting of $50 principal amount of debentures (with attached warrant to purchase one share of common stock) and two shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—To pay off $400,000 of serial notes plus accrued interest thereon; approximately $220,000 will be used to redeem and pay accumulated dividends on the company's outstanding 2,000 shares of cumulative preferred stock; approximately $143,000 will be used to pay a promissory note to Anderson-Nichols & Co.; approximately $800,000 will be used for machinery and equipment; and the balance will be used for general corporate purposes, including additional working capital. **Office**—150 Causeway St., Boston, Mass. **Underwriter**—Putnam & Co., Hartford, Conn. **Offering**—Expected in January.

Anodyne, Inc., Bayside, L. I., N. Y.
Sept. 9 (letter of notification) 150,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—For expansion and general corporate purposes. **Underwriter**—Ross, Lyon & Co., Inc., New York, N. Y. **Offering**—Expected in January.

Anthony Powercraft
Sept. 8 (letter of notification) 241,200 shares of 5% cumulative convertible preferred stock to be offered for subscription by common stockholders at the rate of two preferred shares for each three shares of common stock held. **Price**—At par ($1 per share). **Proceeds**—To purchase inventory, new tools, construction and for working capital. **Office**—5871 E. Firestone Boulevard, South Gate, Calif. **Underwriter**—None.

Apache Properties, Inc.
Nov. 20 filed 500,000 shares of common stock (par $1) to be offered in exchange for undivided interests in gas and oil leaseholds located in certain counties in Oklahoma. **Price**—$10 per share. **Office**—523 Marquette Ave. Minneapolis, Minn. **Underwriter**—None.

Arkay International, Inc.
Nov. 18 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For general corporate purposes. **Office** — 8806 Van Wyck Expressway, Richmond Hill, N. Y. **Underwriter**—A. D. Gilhart & Co., Inc., New York, N. Y. **Offering**—Expected in December.

Associations Investment Fund
Aug. 28 filed 400,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For investment in common stocks. **Office**—301 W. 11th Street, Kansas City, Mo. **Underwriter**—Jones Plans, Inc., a subsidiary of R. B. Jones & Sons, Inc.

• **Australian Grazing & Pastoral Co., Ltd.**
Jan. 13 filed 4,000,000 shares of common stock. **Price**—At par (56¼ cents per share). **Proceeds**—To purchase cattle; for improvements; to buy additional ranch in Queensland, Australia; and for other corporate purposes **Office** — 1301 Avenue L, Cisco, Texas. **Underwriter** — None. Robert Kamon is President. The statement has been withdrawn.

★ **Ball, Pablo & Co.**
Dec. 1 (letter of notification) 40,000 shares of common stock (par $1). **Price**—$7.50 per share. **Proceeds**—For working capital. **Office**—1000 Connecticut Ave., N. W., Washington, D. C. **Underwriter**—None.

Bankers Management Corp.
Sept. 10 (letter of notification) 300,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—1404 Main Street, Houston 2, Texas. **Underwriter**—Daggett Securities, Inc., Newark, N. J.

★ **Bargain Centers, Inc.**
Dec. 2 (letter of notification) 120,000 shares of common stock (par $10 cents). **Price**—$2.50 per share. **Proceeds**—To remodel store and offices in warehouse, opening a new store and for working capital. **Office**—31-37 Favette Street, Martinsville, Va. **Underwriters**—Frank P. Hunt & Co., Inc., Rochester, N. Y., and First City Securities, Inc., New York, N. Y.

Benson Manufacturing Co., Kansas City, Mo.
Nov. 25 filed $2,000,000 of 6% convertible subordinated debentures due 1971 and 130,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For additional manufacturing equipment, acquisition of property and retirement of a $500,000 bank loan. **Business**—In addition to its aluminum operations the company fabricates magnesium, stainless steel and titanium. As a leading subcontractor it serves the major missile, rocket and aircraft companies through its missile container division. **Underwriter**—S. D. Fuller & Co., New York. **Offering**—Expected in the early part of January, 1960.

Blanch-Ette, Inc.
Oct. 12 filed 400,000 shares of common stock, to be offered initially to independent dealers who handle the company's products, with the unsubscribed shares to be offered to the public. **Price**—$1 per share. **Proceeds**—To establish new dealerships, increase inventories, and provide funds for advertising and increase working capital. **Office**—10232 South Kedzie Ave., Chicago, Ill. **Underwriter**—None.

• **Boothe Leasing Corp.**
Dec. 2 filed 40,296 shares of common stock to be offered to holders of the outstanding common on the basis of one new share for each eight shares held. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes, including the acquisition of additional equipment which the company intends to lease to various businesses. **Office**—315 Montgomery Street, San Francisco, Calif. **Underwriters**—Wertheim & Co., New York City, and J. Barth & Co., San Francisco. **Offering**—Expected in January.

Border Steel Rolling Mills, Inc.
Sept. 14 filed $2,100,000 of 15-year 6% subordinated sinking fund debentures, due Oct. 1, 1974, and 210,000 shares of common stock ($2.50 par), to be offered in units of $50 principal amount of debentures and five shares of common stock. **Price** — To be supplied by amendment. **Proceeds**—For the purchase of land and construction thereon, and for the manufacture and installation of necessary equipment. **Office**—1609 Texas Street, El Paso, Texas. **Underwriters**—First Southwest Co., Dallas, Texas, and Harold S. Stewart & Co., El Paso, Texas.

Border Steel Rolling Mills, Inc.
Sept. 14 filed 226,380 shares of common stock, to be offered for subscription to stockholders of record Aug. 31, 1959, on the basis of 49 new shares for each share then held. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Office** — 1609 Texas Street, El Paso, Texas. **Underwriter**—None.

• **Bowmar Instrument Corp. (12/21)**
Nov. 10 filed 78,000 shares of common stock (no par), of which 45,000 shares will be offered for the company's account and 33,000 shares will be offered for the account of several selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Office**—8000 Bluffton Road, Ft. Wayne, Ind. **Underwriter**—Paine, Webber, Jackson & Curtis, New York.

Burch Oil Co.
Sept. 25 (letter of notification) 120,000 shares of class A common stock (par five cents). **Price**—$2.50 per share. **Proceeds**—For building and equipping stations and truck stop and additional working capital. **Office**—C/o Garland D. Burch, at 707 Grattan Road, Martinsville, Va. **Underwriter**—Maryland Securities Co., Inc., Old Town Bank Building, Baltimore 2, Md.

• **Cadre Industries Corp.**
Sept. 25 filed 17,532 shares of common stock (par $5), to be offered to holders of such stock on the basis of one new share for each 8 shares held. In connection with this rights offering, four company officials will offer for sale on Dec. 23 any or all of their rights to subscribe to 7,488 shares. **Price**—$64 per share. **Proceeds**—For general corporate purposes, including working capital. **Office**—20 Valley St., Endwell, N. Y. **Underwriter**—None.

California Metals Corp.
July 27 filed 2,500,000 shares of common stock. **Price**—At par (20 cents per share). **Proceeds**—For construction of a pilot plant; for measuring ore; for assaying; and for general corporate purposes. **Office**—3955 South State St., Salt Lake City, Utah. **Underwriter**—Cromer Brokerage Co., Inc., Salt Lake City.

California Mutual Co-Ply, Inc.
Sept. 14 filed 140 shares of voting common stock. **Price**—At par ($5,000 per share). **Proceeds**—To purchase the mill and related facilities of Durable Plywood Co. for $690,000, with the balance to be used for working capital. **Office**—Calpella, Calif. **Underwriter**—The offering is to be made by Ramond Benjamin Robbins, one of the nine promoters, the list of which also includes Harry Ernest Holt, of Eureka, Calif., President of the company.

Cardinal Petroleum Co. (12/21)
Nov. 30 filed 200,000 shares of common capital stock. **Price**—$4 per share. **Proceeds**—For general corporate purposes including debt reduction, drilling and working capital. **Office**—420 No. 4th St., Bismarck, North Dakota. **Underwriter**—J. M. Dain & Co., Inc., Minneapolis, Minn.

Cascade Pools Corp.
Nov. 30 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For general corporate purposes. **Office**—River & Wood Sts., Butler, N. J. **Underwriter**—R. A. Holman & Co., Inc., New York, N. Y.

★ **Central Electric & Gas Co.**
Dec. 11 filed $3,000,000 of convertible subordinated debentures, due Jan. 15, 1975. **Price**—To be supplied by amendment. **Proceeds**—For construction expenses of the issuer and its subsidiaries. **Office**—144 So. 12th Street, Lincoln, Nebr. **Underwriters** — Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., both of New York City.

Citadel Life Insurance Co. of New York
Nov. 10 filed 60,000 shares of common stock (par $10). **Price**—$20 per share. **Proceeds**—For working capital. **Office**—150 Broadway, New York City. **Underwriter**—The stock will be sold through the efforts of the officers and directors of the company, principally Moshe B. Pomrock, President.

★ C. I. T. Financial Corp.
Dec. 10 filed $75,000,000 of debentures due Jan. 15, 1980. **Price**—To be supplied by amendment. **Proceeds**—For working capital for the issuer and its subsidiaries. **Office**—650 Madison Ave., New York City. **Underwriters**—Dillon, Read & Co., Inc.; Kuhn, Loeb & Co., and Lehman Brothers, all of New York.

• Citizens Casualty Co. of New York
Nov. 9 filed 250,000 shares of class A common stock (par $2). **Price**—To be supplied by amendment. **Proceeds**—To be invested in income-producing securities. **Office**—33 Maiden Lane, New York City. **Underwriter**—Lee Higginson Corp. **Offering**—Expected in January.

• Clary Corp.
Nov. 13 (letter of notification) 45,283 shares of common stock (par $1) being offered for subscription by stockholders on the basis of one new share for each 21 shares held (with an oversubscription privilege). Rights dates are Dec. 7-21. **Price**—At-the-market. **Proceeds**—Not to exceed $300,000, which will be used for working capital. **Office**—408 Junipero St., San Gabriel, Calif. **Underwriter**—None.

Coastal Chemical Corp.
Dec. 7 filed 111,729 shares of class A common and 70,000 shares of class C common, of which 50,000 class C shares are to be offered for the account of Miss. Chemical Corp., selling stockholder, with the remainder of the offering to be sold for the account of the issuing company. **Price**—For the class A stock: $30 per share; for the class C stock: $25 per share. **Proceeds**—For working capital, construction, and repayment of loans. **Office**—Yazoo City, Miss. **Underwriter**—The offering is to be made through Coastal employees with Miss. Chemical underwriting on a "best efforts" basis, receiving a selling commission of 33 cents a share.

Columbian Financial Development Co.
Aug. 14 filed $1,000,000 of Plans for Investment in Shares in American Industry, of which $500,000 was for Single Payment Investment Plans and $500,000 for Systematic Investment Plans and Systematic Investment Plans With Insurance. **Office**—15 East 40th Street, New York. **Underwriter** — None. **Offering** — Expected some time after Jan. 1, 1960.

Combined Electronics, Inc.
Oct. 30 filed 800,000 shares of common stock (par $1). **Price**—$2.50 per share. **Proceeds**—For general corporate purposes, inclding expansion, new product development, and working capital. **Office**—135 S. La Salle Street, Chicago, Ill. **Underwriter**—David Johnson & Associates, Inc., Indianapolis, Ind., on a "best efforts" basis.

Commerce Drug Co.
Nov. 30 filed 90,000 shares of common stock. **Price**—$6.50 per share. **Proceeds**—To selling stockholders. **Office**—505 Court St., Brooklyn, N. Y. **Underwriter** — Marron, Edens, Sloss & Co. **Offering**—Expected in January.

Commerce Oil Refining Corp
Dec. 16, 1957 filed $25,000,000 of first mortgage bonds due Sept. 1, 1968, $20,000,000 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: $1,000 of bonds and 48 shares of stock and $100 of debentures and nine shares of stock. **Price**—To be supplied by amendment. **Proceeds** — To construct refinery. **Underwriter**—Lehman Brothers, New York. **Offering**—Indefinite.

★ Commercial Credit Co.
Dec. 11 filed $50,000,000 of notes due Jan. 1, 1980. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Office**—300 St. Paul Place, Baltimore, Md. **Underwriters**—The First Boston Corp. and Kidder, Peabody & Co., both of New York City. **Offering**—Expected in January.

Commercial Metals Co.
Nov. 25 filed 100,000 shares of outstanding common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—512 South Akard St., Dallas, Tex. **Underwriter**—Eppler, Guerin & Turner, Inc. **Offering**—Expected in the first couple of weeks in January.

• Consolidated Development Corp.
Aug. 28 filed 448,000 shares of common stock (par 20c), of which 1198,000 shares are to be offered to holders of the issuing company's 6% convertible debentures, and 100,000 shares are to be offered to the underwriter, with the remaining 150,000 shares, in addition to those shares described above not subscribed for by the debenture holders and the underwriter, respectively, to be publicly offered. **Price**—For the shares to be offered to the debenture holders, 75c per share, which is equal to the price at which the debentures are convertible into common stock; for the shares to be offered to the underwriter, $1 per share; for the shares to be offered to the public, the price will be related to the current price of the outstanding shares on the American Stock Exchange at the time of the offering. **Proceeds**—For general corporate purposes. **Note** — This company was formerly known as Consolidated Cuban Petroleum Corp., which was a Delaware corporation with Havana offices. Its charter was amended last June, changing the corporate name and sanctioning its entry into real estate operations. The SEC announced a "stop order" on Dec. 10, challenging the registration statement, and the corporation told this newspaper they planned to re-register. **Office**—Miami Beach, Fla. **Underwriter**—H. Kook & Co., Inc., New York.

• Consolidated Development Corp., Pompano Beach, Fla.
Nov. 24 filed 140,000 shares of common stock (par $1) **Price**—$5 per share. **Proceeds**—To pay outstanding notes and for working capital. **Underwriter**—Consolidated Securities Corp., of Pompano Beach, Fla., on a best efforts basis. **Note**—Nick P. Christos is President of the issuing company and a director of the underwriting corporation.

Consumers Cooperative Association
Nov. 3 filed $9,000,000 of 5½% 25-year subordinated certificates of indebtedness and 120,000 shares of preferred stock (par $25). **Price**—The certificates are to be offered in units of $100; the preferred stock is to be sold at $25 per share. **Proceeds**—To be added to general funds of the association and be used for retiring maturing certificates of indebtedness and for capital expenditures. **Office**—Kansas City, Mo. **Underwriter**—None.

Continental Reserve Co.
Nov. 13 (letter of notification) 300,000 shares of common stock (par 30 cents). **Price**—$1 per share. **Proceeds**—To invest in the common stock of its proposed subsidiary, Continental Reserve Life Insurance Co. **Office**—914-916 Kearns Bldg., Salt Lake City, Utah. **Underwriter**—Columbine Securities Corp., Denver, Colo.

★ Controls Co. of America
Dec. 16 filed 110,400 shares of common stock. This filing took place in order to permit present shareholders of Electrosnap Corp., which is to be merged into the issuing company on Dec. 31, to redistribute their Control shares on the NYSE or Midwest Exchange. **Office**—Schiller Park, Ill.

Cooperative Grange League Federation Exchange, Inc.
Dec.4 filed $250,000 of 4% subordinated debentures, 10,000 shares of 4% cumulative preferred stock, and 200,000 shares of common stock. The common shares may be offered only to present or prospective members of the Cooperative. **Prices**—For the debentures, 100% of principal amount; for the preferred, $100 per share; for the common, $5 per share. **Proceeds**—For general corporate purposes, including future redemptions of outstanding securities and property additions and improvements. **Office**—Terrace Hill, Ithaca, N. Y. **Underwriter**—None.

Cooper Tire & Rubber Co.
Dec. 1 filed 100,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Office** — Lima & Western Avenues, Findlay, Ohio. **Underwriters**—Paine, Webber, Jackson & Curtis, Boston, Mass., and Prescott, Shepard & Co., Inc., Cleveland, O. **Offering**—Expected in January.

Coraloc Industries, Inc.
Oct. 30 (letter of notification) 5,450 shares of common stock (par $5) and 27,250 shares of preferred stock (par $10) to be offered in units of five shares of preferred and one share of common. **Price**—$55 per unit. **Proceeds**—For engineering and technical costs, sales, services, etc. **Business**—Manufactures swimming pools. **Office**—494 S. San Vicente Boulevard, Los Angeles 43, Calif. **Underwriter**—Edward Lewis Co., Inc., New York, N. Y. **Offering**—Expected in two to three weeks (subject to SEC clearance).

Cornbelt Insurance Co., Freeport, Ill.
Sept. 29 filed 200,000 shares of common stock to be offered for subscription by common stockholders of record Sept. 15, 1959, at the rate of four new shares for each 10 shares then held. Unsubscribed shares may be offered publicly. **Price**—$4 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None, but brokers and dealers who join in the distribution will receive commission of 40 cents per share.

Cornbelt Life Co.
Sept. 29 filed 100,000 shares of common stock, to be offered to stockholders of record Sept. 15 on the basis of one share for each share then held. **Price**—$4.50 per share. **Proceeds**—To be credited to stated capital and paid-in surplus. **Office**—12 North Galena Avenue, Freeport, Ill. **Underwriter**—None.

Crest Investment Trust, Inc.
Nov. 30 filed 1,172 shares of type A and 7,400 shares of type B common stock, together with $42,500 of 6% debenture notes. **Price**—$110 per share of stock; the notes will be offered in units of $500. **Proceeds**—For expansion. **Office**—41 W. Preston St., Baltimore, Md.

Crown Aluminum Industries Corp.
Nov. 30 filed $1,500,000 of 17-year, 7½% debentures, due Jan. 15, 1977, and 180,000 shares of common stock, to be offered in units of $100 of debentures and 12 shares of stock. **Price**—$160 per unit; and $6.50 per share for an additional 100,000 shares included in the registration statement and not covered above. **Proceeds**—For general corporate purposes, including 1,200,000 for installing and equipping a hot rolling mill. **Office**—202 Reynolds Arcade Bldg., Rochester, N. Y. **Underwriter**—Adams & Peck, New York City. **Offering**—Expected in January.

★ Crown Central Petroleum Corp.
Nov. 25 (letter of notification) an undetermined number of shares of common stock (par $5) to be offered to employees through payroll deductions pursuant to 1960 Crown Central Employees' Savings Plan. **Plan**—At-the-market. **Proceeds**—For the purchase of stock. **Office**—American Bldg., Baltimore 2, Md. **Underwriter** — None

Crusader Oil & Gas Corp., Pass Christian, Miss.
May 26 filed 1,500,000 shares of common stock, of which 641,613 shares will be offered on a one-for-one basis to stockholders. The remaining 858,387 shares will be offered publicly by the underwriter on a "best efforts" basis. **Price**—To be supplied by amendment. **Proceeds**—For repayment of notes and for working capital. **Underwriter**—To be supplied by amendment.

★ Curley Co., Inc.
Dec. 8 (letter of notification) $250,000 of 6 year 7% subordinated convertible debentures due Jan. 1, 1966. **Price**—At face amount. The debentures are convertible into common stock at the rate of one $500 debenture into 50 shares of stock until Jan. 1, 1961; 45 shares until Jan. 1, 1962; 40 shares, Jan. 1, 1963; 35 shares, Jan. 1, 1964; 30 shares, Jan. 1, 1965, and 25 shares thereafter. **Proceeds**—For working capital. **Office**—1432 N. Randolph St., Philadelphia, Pa. **Underwriter**—None.

★ Daryl Industries, Inc.
Dec. 15 filed 225,000 shares of common stock, of which 130,000 shares are to be offered for the account of the issuing company and 95,000 shares representing outstanding stock, are to be offered for the account of the present holders thereof. **Price**—$5 per share. **Proceeds**—For general corporate purposes. **Office**—7240 N. E. 4th Street, Miami, Fla. **Underwriter** — Clayton Securities Corp., Boston, Mass.

Davega Stores Corp.
Nov. 25 filed 88,000 shares of common stock to be offered to present stockholders at the rate of one new share for each three shares held. **Price** — $7 per share. **Proceeds** — For expansion and other corporate purposes. **Office**—215 4th Ave., New York City, **Underwriter**—None.

★ Davidson Automatic Merchandising Co., Inc.
Dec. 15 filed 120,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds** — To pay bank loan, with the balance to general funds for expansion and acquisitions. **Office** — Los Angeles, Calif. **Underwriters** — White, Weld & Co., New York City, and Cruttenden, Podesta & Co., of Chicago.

• Dayton Aviation Radio & Equipment Corp.
Sept. 28 filed 201,050 shares of common stock, of which 190,871 shares are being offered to holders of outstanding stock of record Nov. 20 on the basis of one new share for each four shares then held. Rights expire Dec. 23. **Price**—$1.50 per share. **Proceeds**—To finance

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NEW ISSUE CALENDAR

December 18 (Friday)

Dyna-Therm Chemical Corp.________Common
(Peter Morgan & Co.) $600,000

Micronaire Electro Medical Products Corp.___Com.
(General Investing Corp.) 200,000 shares

Micronaire Electro Medical Products Corp.___Wts.
(General Investing Corp.) 50,000 warrants

Mohawk Business Machines Corp.________Common
(Myron A. Lomasney & Co.) 30,000 shares

Mohawk Business Machines Corp.______Debentures
(Myron A. Lomasney & Co.) $600,000

Tobin Craft, Inc.________Common
(General Investing Corp.) $150,000

December 21 (Monday)

Bowmar Instrument Corp.________Common
(Paine, Webber, Jackson & Curtis) 78,000 shares

Cardinal Petroleum Co.________Common
(J. M. Dain & Co., Inc.) $800,000

Formula 409, Inc.________Common
(DiRoma, Alexik & Co.) $450,000

Palomar Mortgage Co.________Common
(J. A. Hogle & Co.) 80,000 shares

Palomar Mortgage Co.________Debentures
(J. A. Hogle & Co.) $750,000

Perrine Industries, Inc.________Debentures
(S. D. Fuller & Co.) $1,500,000

December 23 (Wednesday)

Old Empire, Inc.________Common
(Laird, Bissell & Meeds) $300,000

December 29 (Tuesday)

Florida Tile Industries, Inc.________Common
(Johnson, Lane, Space Corp.) 89,285 shares

January 4 (Monday)

General Public Utilities Corp.________Common
(Offering to stockholders—No underwriting) 1,115,000 shares

January 6 (Wednesday)

TelePrompter Corp.________Common
(Bear, Stearns & Co.) 125,000 shares

January 7 (Thursday)

Washington Water Power Co.________Bonds
(Kidder, Peabody & Co.; Blyth & Co., Inc.; White, Weld & Co. and Dean Witter & Co.) $10,000,000

Washington Water Power Co.________Debentures
(Kidder, Peabody & Co.; Blyth & Co., Inc.; White, Weld & Co. and Dean Witter & Co.) $5,000,000

January (12 (Tuesday)

Jessop Steel Co.________Debentures
(Hornblower & Weeks) $3,000,000

Northern Illinois Gas Co.________Preferred
(First Boston Corp. and Glore, Forgan & Co.) $15,000,000

January 13 (Wednesday)

American Hospital Supply Corp.________Common
(Eastman Dillon, Union Securities & Co. and Smith, Barney & Co.) 200,000 shares

January 15 (Friday)

Aircraft Dynamics International Corp.____Common
(Aviation Investors of America, Inc.) $300,000

January 19 (Tuesday)

Kansas Gas & Electric Co.________Common
(Bids to be invited) 200,000 shares

Louisiana Gas Service Co.________Bonds
(Bids to be invited)

February 23 (Tuesday)

Duquesne Light Co.________Debentures
(Bids 11 a.m. EST) $20,000,000

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government contracts, reduce accounts payable, and increase working capital. **Office**—South Dixie Highway, Troy, Ohio.

Delaware Securities Corp.
Nov. 13 filed 700,000 shares of common stock (par one cent). **Price**—$5 per share. **Proceeds**—For working capital. **Office**—50 Broadway, New York. **Underwriter**—None.

Deluxe Aluminum Products, Inc.
Oct. 15 filed $330,000 of convertible debentures, and 70,000 shares of common stock. **Price**—For the debentures, 100% of principal amount; for the stock, $5 per share. **Proceeds**—From 10,000 shares of the common stock, to the present holders thereof; from the rest of the offering, to the company to be used for expansion and as working capital. **Office**—6810 S. W. 81st St., Miami, Fla.

Denab Laboratories, Inc.
July 31 filed 50,000 shares of common stock (par $2.50). **Price**—$10 per share. **Proceeds**—For general corporate purposes, including salaries, cars, promotion, inventory, the establishment of branch offices, expenses incidental to obtaining permission to do business in other states, and the establishment of a contingency reserve. **Office**—1420 East 18th Avenue, Denver, Colo. **Underwriter**—None.

★ **District Wholesale Drug Corp. of Washington**
Dec. 7 (letter of notification) 10,000 shares of class B common stock (no par). **Price**—$5 per share. **Proceeds**—For working capital. **Office** — 52 "O" St., N. W., Washington 1, D. C. **Underwriter**—None.

Diversified Communities, Inc.
Sept. 25 filed 367,200 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For acquisition of Hope Homes, Inc., Browntown Water Co. and Cantor & Goldman Builders, Inc., with the balance to be used as working capital. **Office**—29A Sayre Woods Shopping Center, Madison Township, P. O. Parlin, N. J. **Underwriter**—Lee Higginson Corp., New York.

Don Mott Associates, Inc.
Oct. 27 filed 161,750 shares of class B, non-voting, common stock (par $5). **Price**—$10 per share. **Proceeds**—For general corporate purposes, including payment on a building and the financing of loans. **Office**—Orlando, Fla. **Underwriter**—Leon H. Sullivan, Inc., Philadelphia, Pa., on a "best efforts" basis. **Offering**—Expected shortly.

● **Dyna-Therm Chemical Corp. (12/18)**
Oct. 28 filed 200,000 shares of capital stock (par $1). **Price**—$3 per share. **Proceeds**—To purchase stock of subsidiaries, for payment of loans, and for working capital. **Office** — Culver City, Calif. **Underwriter** — Peter Morgan & Co., New York City.

Ekco Products Co.
Dec. 4 filed 21,609 shares of second cumulative preferred stock, 6% series, and 54,064 shares of common stock, to be offered in exchange for the common stock of Washington Steel Products, Inc., on the basis of one-half share of common and one-fifth of a share of preferred for each common share of Washington Steel. **Office**—1949 North Cicero Avenue, Chicago, Ill.

E. H. P. Corp.
Aug. 31 filed 160,000 shares of capital stock (par 10c), of which 100,000 shares are to be publicly offered. **Price**—$2.50 per share. **Proceeds** — To provide funds for the purchase of vending machines which will be used to distribute automobile breakdown insurance policies on thruways, parkways and highways in the amount of $25 of such breakdown insurance for the purchase price of 25 cents, and for a public relations and publicity program. **Office**—Hotel Troy Building, Troy, New York. **Underwriter**—John R. Boland & Co., Inc., New York. **Offering**—Expected in two to three weeks' time (subject to SEC approval).

ESA Mutual Fund, Inc.
June 29 filed 2,000,000 shares of capital stock. **Price**—To be supplied by amendment. **Proceeds**—For investment. **Investment Adviser**—Yates, Heitner & Woods, St. Louis, Mo. **Underwriter**—ESA Distributors, Inc., Washington, D. C. **Office**—1028 Connecticut Avenue, N. W., Washington, D. C.

● **Electronics Development, Inc.**
Sept. 25 filed 115,459 shares of common stock (par 10c). **Price**—$3.50 per share. **Proceeds**—For plant erection, advertising, research and development, and working capital. **Office** — Gill and West College Streets, State College, Pa. **Underwriter**—First Broad Street Corp., 50 Broad St., New York. The statement has been withdrawn.

Fastline, Inc.
Nov. 6 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For general corporate purposes. **Office**—8 Washington Place, New York, N. Y. **Underwriter** — Mortimer B. Burnside & Co., Inc., New York, N. Y. **Offering**—Expected any day.

First Northern-Olive Investment Co.
Aug 17 filed 20 partnership interests in the partnership. Similar filings were made on behalf of other Northern-Olive companies, numbered "second" through "eighth." **Price**—$10,084 to $10,698 per unit. **Proceeds**—To purchase land in Arizona. **Office**—1802 North Central Ave., Phoenix, Ariz. **Underwriter**—O'Malley Securities Co., Phoenix. Statement effective Oct. 9.

● **Florida Tile Industries, Inc. (12/29)**
Nov. 12 filed 89,285 shares of class A common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—It is expected that about $437,500 will be used for additional working capital and/or general corporate purposes, of which $250,000 may be expended for additional facilities, and that about $87,500 will be used to retire short-term bank loans. **Office**—Lakeland, Fla. **Underwriter**—Johnson, Lane, Space Corp., Atlanta, Ga.

● **Formula 409, Inc. (12/21-24)**
Oct. 29 filed 300,000 shares of common stock (no par). **Price**—$1.50 per share. **Proceeds**—For advertising, reduction of indebtedness, bottling equipment, payment of $44,000 for acquisition of formula 409, a liquid degreaser, and office equipment. **Office**—10 Central Street, West Springfield, Mass. **Underwriter**—DiRoma, Alexik & Co., Springfield, Mass.

Garden Land Co., Ltd.
Nov. 9 filed 200,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — For land conversion and improvement in California, with the balance to be added to working capital. **Office** — 17315 Sunset Boulevard, Pacific Palisades, Calif. **Underwriter**—Hill, Darlington & Co., New York City. **Offering**—Expected later this month.

Gas Hills Uranium Co.
Oct. 28 filed 6,511,762 shares of common stock, of which 3,990,161 are to be offered for sale. The remaining 2,521,601 shares are owned or underlie options owned by officers and/or directors, affiliates, and associates of the issuing company. Of the shares to be sold, 415,000 shares are to be offered to holders of the outstanding common at the rate of one new share for each 20 shares held; 500,000 shares are to be offered in exchange for properties and services; 326,883 shares are to be offered to certain holders of the company's convertible promissory notes; and 2,748,278 shares are to be offered for the account of selling stockholders, of which number 655,500 shares represent holdings of management officials and affiliated persons. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes, including the repayment of indebtedness. **Office** — 604 South 18th Street, Laramie, Wyo. **Underwriter**—None.

Gence & Associates, Inc.
Nov. 13 (letter of notification) 100,000 shares of common stock (no par). **Price**—$3 per share. **Proceeds**—To pay an outstanding obligation and for working capital. **Office**—1500 E. Colorado St., Glendale, Calif. **Underwriter**—California Investors, Los Angeles, Calif.

★ **General Aluminum Fabricators, Inc.**
Dec. 15 filed 75,000 shares of common stock, each share bearing a warrant entitling the purchaser to buy one share of common at $4 until Jan. 30, 1961. **Price**—$4 per share. To reduce indebtedness, with the balance for working capital. **Office**—275 East 10th Avenue, Hialeah, Fla. **Underwriter**—Charles Plohn & Co., of New York City, on a "best efforts" basis. **Offering**—Expected in January.

General Coil Products Corp.
Oct. 29 (letter of notification) 99,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For automation of operations; working capital; additional equipment and machinery and research and development. **Office**—147-12 Liberty Ave., Jamaica, N. Y. **Underwriter**—A. T. Brod & Co., New York and Washington, D. C. **Offering**—Expected in two weeks (subject to Securities and Exchange Commission clearance).

General Electronic Laboratories, Inc.
Nov. 20 (letter of notification) an undetermined number of shares of class A common stock (par 33⅓ cents) amounting to approximately $300,000 to be offered to officers, directors and employees of the company. **Proceeds**—For general corporate purposes, including machinery, equipment and working capital. **Office**—195 Massachusetts Avenue, Cambridge, Mass. **Underwriter** — Kidder, Peabody & Co., Inc., Boston, Mass. on a "best efforts" basis.

General Finance Corp.
Sept. 11 filed 150,000 shares of common stock. **Price**—$3 per share. **Proceeds**—For working capital, with $15,000 being allocated for lease improvements and equipment and supplies. **Office** — Santurce, Puerto Rico. **Underwriter**—Caribbean Securities Co., Inc., Avenida Condado 609, Santurce, Puerto Rico.

General Public Utilities Corp. (1/4)
N[illegible] [illegible]led 1,115,000 additional shares of common stock [illegible]) to be offered to common stockholders of [illegible]ec. 30, 1959, on the basis of one new share for [illegible] shares so held; rights to expire on Jan. 19, 1960. [illegible]—To be supplied by amendment. **Proceeds**—To pay short-term bank loans, and the balance will be added to the general funds of the company. **Underwriter**—None, but dealers may sell unsubscribed shares and solicit subscriptions.

Gold Medal Packing Corp.
June 18 filed 572,500 shares of common stock (par one cent), and 50,000 common stock purchase warrants. Of the shares 400,000 will be sold for the account of the company; 110,000 by certain stockholders; 12,500 for the underwriter; and the remaining 50,000 shares are purchasable upon exercise of the warrants. **Price**—$1.25 per share. **Proceeds**—For repayment of debt; purchase of equipment and facilities and other general corporate purposes. **Office**—614 Broad St., Utica, N. Y. **Underwriter**—Mortimer B. Burnside & Co., New York. **Name Change** — Formerly Eastern Packing Corp.

Gold Medal Studios, Inc.
Sept. 18 filed 500,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For general corporate purposes, including the purchase of additional studio equipment, investing in properties in the entertainment field, and the provision of funds for a down payment on another building or buildings. **Office**—807 E. 175th Street, New York, N. Y. **Underwriter**—Arnold Malkan & Co., Inc., New York.

Granco Products, Inc.
Oct. 21 (letter of notification) 42,860 warrants and 60,000 shares of common stock (par 50 cents). The stock is underlying the warrants, and the purpose of the filing was to permit the warrant holders to exercise their warrants and buy the underlying stock at $2.50 per share during the life of the warrant. The expiration date of the warrant is Feb. 25, 1961. The price of the warrant is at the market. **Proceeds**—In the first instance, to the warrant holders; if they convert, Granco's treasury will receive $2.50 per share. **Office**—36-17 20th Ave., Long Island City, N. Y. **Underwriter**—John R. Boland & Co., Inc., New York City.

Great Lakes Bowling Corp.
Aug. 31 filed 120,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes, including the development of bowling lanes, bars, and restaurants on various Michigan properties. **Office**—6336 Woodward Ave., Detroit, Mich. **Underwriter**—Straus, Blosser & McDowell, Chicago, Ill. **Offering**—Expected sometime after Jan. 1, 1960.

Green River Production Corp.
Oct. 15 (letter of notification) 200,000 shares of common stock (par 50 cents). **Price**—$1.50 per share. **Proceeds**—For expenses for exploring for oil and gas. **Office**—212 Sixth Ave., South, Nashville, Tenn. **Underwriter**—Crescent Securities Co., Inc., Bowling Green, Ky.

● **Greer Hydraulics, Inc.**
Nov. 27 filed 250,000 additional shares of common stock ($.50 par) to be offered for subscription by holders of the outstanding common. **Price** — To be supplied by amendment. **Office**—Jamaica, L. I., N. Y. **Proceeds**—To relocate company in Los Angeles, with the balance to be used for general corporate purposes, including the reduction of indebtedness. **Underwriter** — Burnham & Co., New York City. **Offering**—Expected in January.

Growth Fund of America, Inc.
Feb. 4 filed 250,000 shares of common stock (par 10 cents). **Price**—At market. **Proceeds**—For investment. **Office** — 1825 Connecticut Avenue, Washington, D. C. **Investment Advisor** — Investment Advisory Service, Washington, D. C. **Underwriter**—Investment Management Associates, Inc., Washington, D. C. The statement became effective July 24.

Guaranty Insurance Agency, Inc.
See, Mortgage Guaranty Insurance Corp., below.

Harmar Co., Inc.
Nov. 18 (letter of notification) $50,000 of 6% 10-year convertible subordinated debentures series A to be offered in denominations of $500 each. Debentures are convertible into class B common stock at the rate of five shares for each $500 debenture. **Price**—At par. **Proceeds**—For working capital. **Underwriter**—Eastern Investment Corp., Manchester, N. H.

● **(B. M.) Harrison Electrosonics, Inc.**
Sept. 25 filed 133,000 shares of common stock (no par). **Price**—$3 per share. **Proceeds**—For general corporate purposes, including the reduction of indebtedness and the provision of funds to assist the company's expansion into the civilian market. **Office** — Newton Highlands, Mass. **Underwriter**—G. Everett Parks & Co., Inc., 52 Broadway, New York City. **Offering**—Expected shortly.

★ **Hebrew National Kosher Foods, Inc.**
Dec. 11 filed 350,000 shares of common stock, of which 175,000 shares are to be offered for the account of the issuing company and 175,000 shares, representing outstanding stock, are to be offered for the account of the present holders thereof. **Price**—$4 per share. **Proceeds**—For general corporate purposes. **Office** — 178 South Elliott Place, Brooklyn, N. Y. **Underwriters** — Brand, Grumet & Seigel, Inc., and Arnold Malkan & Co., Inc., both of New York City, on a "best efforts" basis.

Heli-Coil Corp.
Nov. 18 filed 157,000 shares of common stock (without par value) to be offered to holders of outstanding shares of the capital stock (par $10) of Grip Nut Corp. The holders of 95.7% of the outstanding Grip Nut capital stock entered into an agreement with Heli-Coil on Oct. Oct. 21, 1959, to exchange their holdings of 103,055 shares of Grip Nut stock for 150,850 shares of Heli-Coil's common stock. Heli-Coil is not obligated to accept less than 100% of the Grip Nut shares, but at its option may do so to a lesser degree, though not less than 80%. It will then issue a number of shares proportionately reduced from the 157,500 which it (Heli-Coil) has registered. **Office**—Danbury, Conn.

Hickerson Bros. Truck Co., Inc.
March 11 (letter of notification) 285,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To pay existing liabilities; for additional equipment; and for working capital. **Office**—East Tenth Street, P. O. Box 68, Great Bend, Kan. **Underwriter**—Birkenmayer & Co., Denver, Colo. **Offering**—Expected shortly.

★ **Hicks-C. Q. S. Photo Service, Inc.**
Dec. 3 (letter of notification) 900 shares of first preferred stock to be offered to eligible employees pursuant to the company's First Preferred Stock Purchase Plan. **Price** — At par ($50 per share). **Proceeds** — For a cash reserve. **Office**—1054 31st St., N. W., Washington, D. C. **Underwriter**—None.

★ **Home Oil Co., Ltd.**
Dec. 16 filed $20,000,000 of convertible subordinated debentures, due Jan. 15, 1975, and convertible into common stock of Trans-Canada Pipe Lines Ltd. (about 20%-owned by Home Oil) beginning Aug. 1, 1960. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes, including reduction of indebtedness. **Underwriters**—Lehman Brothers, New York City, will manage the American group and Wood, Gundy & Co. Ltd., of Toronto, the Canadian one.

Honeycomb Products, Inc.
Nov. 10 (letter of notification) 90,000 shares of capital stock (no par). **Price**—$3 per share. **Proceeds**—To pay

for the cost of plant machinery and working capital. **Office**—8 Orchard Dr., Mt. Vernon, Ohio. **Underwriter**—Hardy & Hardy, New York, N. Y. **Offering**—Expected in about two weeks.

★ Horne's Enterprises, Inc.
Dec. 16 filed 235,000 shares of common stock to be publicly offered and 45,000 shares reserved for issuance to employees. **Price**—To be supplied by amendment. **Proceeds** — For general corporate purposes, including expansion. **Office**—Bayard, Fla. **Underwriters**—Pierce, Carrison, Wulbern, Inc., Jacksonville, Fla., and Johnson, Lane Space Corp., Savannah, Ga.

★ Hot Springs Health Resort, Inc.
Dec. 4 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For expenses incidental to operating a health resort. **Office**—463 So. Broadway, Denver, Colo. **Underwriter**—None.

Hycon Manufacturing Co.
Aug. 28 filed 126,316 shares of common stock, which were issued to Avco Corp. on Dec. 8, 1958, at $2.375 per shares, and which will now be publicly offered by Avco. Price—To be related to the prices prevailing in the over-the-counter market at the time, or times, the stock is sold. Office—1030 South Arroyo Parkway, Pasadena, Calif. Underwriters—The offering will be made through registered brokers and dealers who are NASD members.

I C Inc.
June 29 filed 600,000 shares of common stock (par $1) Price—$2.50 per share. Proceeds—To further the corporate purposes and in the preparation of the concentrate and enfranchising of bottlers, the local and national promotion and advertising of its beverages, and where necessary to make loans to such bottlers, etc. Office—704 Equitable Bldg., Denver, Colo. Underwriters— Purvis & Co. and Amos C. Sudler & Co., both of Denver Colo.

Inland Western Loan & Finance Corp.
Sept. 24 filed $1,000,000 of 6% capital debentures. Price—To be supplied by amendment. Proceeds—To discharge loans from banks and from the Commercial Life Insurance Co.; to furnish operating capital for subsidiaries; and to establish new subsidiaries or branches of already existing ones. Office—10202 North 19th Ave., Phoenix, Ariz. Underwriter—The underwriters, if any, will be named by amendment.

Integrand Corp.
Oct. 13 filed 85,000 shares of common stock (par 5c). Price—$4 per share. Proceeds — For general corporate purposes, including the redemption of outstanding preferred stock and new plant equipment. Office—Westbury, L. I., N. Y. Underwriter—DiRoma, Alexik & Co., Springfield, Mass.

International Aspirin Corporation
Dec. 7 filed 600,000 shares of common stock. **Price**—$3 per share. **Proceeds**—For general corporate purposes. **Office**—1700 Broadway, Denver, Colo. **Underwriter**—Speculative Securities Corp., 915 Washington Street, Wilmington, Del., on a "best efforts" basis.

International Bank, Washington, D. C.
Dec. 29 filed $5,000,000 of notes (series B, $500,000, two year, 3% per unit; series C, $1,000,000, four-year 4% per unit; and series D, $3,500,000, 6-year, 5% per unit). Price—100% of principal amount. Proceeds — For working capital. Underwriter—Johnston, Lemon & Co., Washington, D. C. Offering—Indefinitely postponed.

Irando Oil & Exploration, Ltd.
April 24 filed 225,000 shares of common stock. Price—90 cents per share. Proceeds—To defray the costs of exploration and development of properties and for the acquisition of other properties; also for other corporate purposes. Office—1950 Broad St., Regina, Sask., Can Underwriter — Laird & Rumball, Regina, Sask., Can

Island Industries, Inc.
Nov. 23 (letter of notification) $200,000 of 10-year 10% registered debentures. **Price**—$100 per debentures. **Proceeds**—For general corporate purposes. **Office** — 30 E. Sunrise Highway, Lindenhurst, N. Y. **Underwriter** — Heft, Kahn & Infante, Inc., Hempstead, L. I., N. Y.

Israel Development Corp.
Sept. 22 filed 200,000 shares of common stock (par $25). **Price**—$27.50 per share, payable in cash or State of Israel Independence Issue or Development Issue bonds. **Proceeds**—For general corporate purposes. **Office**—17 E. 71st Street, New York City. **Underwriter**—None.

● Jessop Steel Co. (1/12)
Dec. 4 filed $3,000,000 of convertible subordinated debentures, due Jan. 1, 1975. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Office**—Washington, Pa. **Underwriter**—Hornblower & Weeks, New York City.

Kansas City Power & Light Co.
Nov. 30 filed $20,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); Equitable Securities Corp.; White, Weld & Co. and Shields & Co. (jointly); Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); Lehman Brothers and Bear Stearns & Co. (jointly). **Bids**—Expected to be received on Jan. 6.

Kansas Gas & Electric Co. (1/19)
Nov. 20 filed 200,000 shares of common stock (no par). **Proceeds**—For the construction of electric facilities and for other corporate purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Smith Inc., Kidder, Peabody & Co. and White, Weld & Co. (jointly); Eastman Dillon, Union Securities & Co., Glore, Forgan & Co. and Goldman, Sachs & Co. (jointly). **Bids**—Expected to be received up to 11 a.m. (EST) on Jan. 19 at Room 2033, Two Rector Street, New York 6, N. Y.

Kennesaw Life & Accident Insurance Co.
Nov. 12 filed 331,836 shares of common stock, to be offered to the holders of the outstanding common stock on the basis of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Office**—165 Luckie Street, Atlanta, Ga. **Underwriter** — The Robinson - Humphrey Co., Inc., Atlanta.

● Lafayette Radio Electronics Corp.
Dec. 4 filed 225,000 shares of common stock ($1 par). **Price**—$5 per share. **Proceeds**—For general corporate purposes including inventory, leasehold improvements, and working capital. **Office** — 165-08 Liberty Avenue, Jamaica, L. I., N. Y. **Underwriter**—D. A. Lomasney & Co., New York City. **Offering**—Expected in January.

Lake Aircraft Corp., Sanford, Me.
Nov. 20 filed 135,000 shares of class A common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To repay $25,000 indebtedness to the Sanford Trust Co., for remaining payment on purchase by the company of certain assets of Colonial Aircraft Corp., and for other corporate purposes. **Underwriter**—Mann & Gould, Salem, Mass.

Lancer Industries, Inc.
Nov. 27 filed 200,000 shares of $.70 convertible preferred stock (par $10). **Price**—$10 per share. **Proceeds**—For general corporate purposes. **Office**—22 Jericho Turnpike, Mineola, L. I., N. Y. **Underwriter**—Charles Plohn & Co., New York City. **Offering**—Expected in January.

Lawn Electronics Co., Inc.
Nov. 25 (letter of notification) 133,000 shares of common stock (par one cent). **Price**—$1.50 per share. **Proceeds**—For general corporate purposes. **Office** — Woodward Road, Englishtown, N. J. **Underwriter**—Prudential Securities Corp., Staten Island, N. Y.

Laymen Life Insurance Co.
Nov. 30 filed 175,000 shares of common stock, of which 35,000 shares are to be offered by the company and 140,000 shares are to be offered by the Laymen of the Church of God, with which the company is merging. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Office**—1047 Broadway, Anderson, Indiana. **Underwriter**—To be supplied by amendment.

Life Insurance Co. of Florida
Sept. 28 filed 203,476 shares of common stock (par $1). **Price**—$4.50 per share. **Proceeds**—For expansion. **Office**—2546 S. W. 8th St., Miami, Fla. **Underwriter**—Plymouth Bond & Share Corp., Miami.

Liquid Veneer Corp.
Nov. 16 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price** — $2 per share. **Proceeds** — For general corporate purposes. **Office** — 211 Ellicott Street, Buffalo, N. Y. **Underwriter**—B. D. McCormack Securities Corp., New York, N. Y.

★ Lockhart Corp.
Dec. 14 filed 100,000 outstanding shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—359 South Main Street, Salt Lake City, Utah. **Underwriter**—Schwabacher & Co., San Francisco, Calif.

Louisiana Gas Service Co. (1/19)
Dec. 4 filed $7,500,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Smith Inc., and Kidder, Peabody & Co. (jointly); Salomon Bros. & Hutzler; Eastman Dillon, Union Securities & Co., and Equitable Securities Corp. (jointly). **Bids**—Expected to be received on Jan. 19.

M. & S. Oils Ltd.
May 11 filed 390,000 shares of common stock. **Price**—60 cents per share. **Proceeds** — For exploration, development and acquisitions. **Office**—5 Cobbold Block, Saskatoon, Saskatchewan, Canada. **Underwriter** — Cumberland Securities Ltd., Regina, Saskatchewan, Canada.

Magna-Bond, Inc.
Nov. 9 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Business** — Protective coatings. **Office**—1718 S. 6th Street, Camden, N. J. **Underwriter**—American Diversified Securities, Inc., 1028 Connecticut Avenue, N. W., Washington 6, D. C.

Magnuson Properties, Inc.
June 29 filed 500,000 shares of class A common stock (amended on Aug. 24 to 150,000 shares of 6½% cumulative convertible preferred stock, par $10), and 150,000 shares of class A common stock, par $1, with common stock purchase warrants. Each share of class A common stock carries one warrant entitling the registered holder to purchase one share of such common stock at an initial price of $11 per share. **Price**—For preferred, at par; and for class A, $10.10 per share. **Proceeds**—$291,099 is to be expended during the period ending Aug. 31, 1960 for mortgage payments and releases; $465,000 will be paid on notes acquired by members of the Magnuson family in the transfers of subsidiaries and properties to the company; $106,000 will be used to close certain options and purchase contracts covering lands in the Melbourne-Cape Canaveral area; the balance will be added to the general funds of the company and used for general corporate purposes. **Office**—20 S. E. 3rd Ave., Miami, Fla. **Underwriter**—Blair & Co. Inc., New York. **Offering**—Expected this Fall.

Mayfair Markets
Oct. 1 filed 301,177 shares of common stock (par $1), being offered to holders of such stock on the basis of one new share for each five shares held Nov. 13. Rights are scheduled to expire in February. **Price**—$10 per share. **Proceeds**—For general corporate purposes, including expansion and working capital. **Office**—4383 Bandini Blvd., Los Angeles, Calif. **Underwriter**—None.

● Micronaire Electro Medical Products Corp. (12/18)
Oct. 16 filed 200,000 shares of common stock (par 10 cents) and 50,000 one-year warrants for the purchase of such stock at $3 per share, to be offered in units of 100 shares of common stock and 25 warrants. **Price**—$275 per unit. **Proceeds**—For general corporate purposes, including the discharge of indebtedness, the expansion of sales efforts, and for working capital. **Office**—79 Madison Avenue, New York City. **Underwriter**—General Investing Corp., New York.

Mid-America Minerals, Inc.
Nov. 16 filed 400,000 shares of class A common stock (par $1). **Price**—$5 per share. **Proceeds**—For general corporate purposes, including the reduction of indebtedness, acquisition of properties, and additional working capital. **Office**—500 Mid-America Bank Building, Oklahoma City, Okla. **Underwriter**—None.

★ Middle South Utilities, Inc.
Dec. 16 filed registration of interests in its Stock Purchase Plan, together with 25,000 shares of common stock which may be acquired by eligible employees pursuant to said Plan. **Office**—New York City.

Midwestern Financial Corp.
Nov. 9 filed 250,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To pay the $1,360,000 balance to Majestic Mortgage Co. due in connection with the issuing company's acquisition of all of the outstanding stock of Majestic Savings & Loan Association, with about $650,000 to be used for capital contributions to its savings and loan associations and for loans to other subsidiaries, $51,000 to be used to repay principal and interest on a short-term bank loan, and $55,000 to be used as additional working capital. **Office**—2015 13th Street, Boulder, Colo. **Underwriters**—W. R. Staats & Co., Los Angeles, Calif., and Boettcher & Co. and Bosworth, Sullivan & Co., Inc., both of Denver, Colo.

● Minitran Corp.
Oct. 30 (letter of notification) 150,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds** — For general corporate purposes. **Office** — 5 Oliver Street, Newark 2, N. J. **Business**—Makes transformers. **Underwriter**—Pleasant Securities Co., 392 Broad Street, Newark, N. J. **Offering**—Expected shortly.

Minnesota Valley Natural Gas Co.
Nov. 27 filed 15,800 shares of common stock ($10 par), and 865 additional shares. **Prices**—For the 15,800 shares, $18; for the 865 shares, which will be sold to directors and employees of the issuing company, $17 per share. **Proceeds**—For construction. **Office**—1750 Hennepin Ave., Minneapolis, Minn. **Underwriters** — Woodard-Elwood & Co., and J. M. Dain & Co., Inc., both of Minneapolis, and Harold E. Wood & Co., of St. Paul, Minn.

Mighty Mover Corp.
Dec. 10 filed 1,000,000 shares of class A common stock (par 10 cents). **Price** — 25 cents per share. **Proceeds**—For liabilities, advertising, and working capital. **Office**—1701 E. Louisiana Ave., Denver 10, Colo. **Underwriter**—None.

★ Modern Pioneers' Life Insurance Co.
Dec. 4 (letter of notification) 47,687 shares of common stock (par $1) to be offered to policyholders of Modern Pioneers' Insurance Co. and the company for cash or transfer of dividends. **Price**—$2 per share. **Proceeds**—For working capital. **Office**—811 N. Third Street, Phoenix, Ariz. **Underwriter**—Associated General Agents of North America, Inc.

Mohawk Airlines Inc.
Nov. 9 filed $3,500,000 of 6% convertible subordinated debentures, due 1974, $1,917,500 of which are to be offered in exchange for a like amount of the company's outstanding 5½% convertible subordinated debentures, due 1966. The remainder, plus any not taken in the exchange offer, are to be publicly offered. **Price**—To be supplied by amendment. **Proceeds** — For general corporate purposes, including debenture redemption, airplane equipment, and working capital. **Office**—Utica, N. Y. **Underwriter**—Dempsey-Tegeler & Co., St. Louis, Mo. **Offering**—Expected middle of January.

● Mohawk Business Machine Corp. (12/18)
Oct. 29 filed $600,000 of 6% 10-year subordinated convertible debentures, due 1969, and 30,000 outstanding shares of common stock (par 40 cents). **Price**—For the debentures, 100% of principal amount; for the common stock, at a price to be related to the market. **Proceeds**—To liquidate indebtedness in the amount of $150,000, with the remainder to purchase new equipment and machinery and be used as working capital. **Office** — 944 Halsey Street, Brooklyn, N. Y. **Underwriter**—Myron A. Lomasney & Co., New York.

Montgomery Mortgage Investment Corp.
Oct. 16 filed $3,000,000 of second mortgage notes and accompanying repurchase agreements, to be offered in $3,000 units. **Price**—From $2,000 to $4,000 per unit. **Proceeds**—To purchase other second trust notes and to maintain a reserve for repurchase of notes under its repurchase agreements. **Office**—11236 Georgia Avenue, Silver Spring, Md. **Underwriter**—There is no underwriter as such, but Adrienne Investment Corp., an affiliate of the issuing company, will act as sales agent, for which it will receive a selling commission of 7%.

Mortgage Guaranty Insurance Corp.
Sept. 23 filed 40,000 shares of common stock (par $10) in a joint registration with Guaranty Insurance Agency, Inc., which filed 10,000 shares of its own common stock (par $5). **Price**—$115 per unit of four shares of Mortgage common and one share of Guaranty common. **Proceeds**—

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Mortgage will use its proceeds fo rexpansion; Guaranty will use its proceeds for additional working capital. Office—(of both firms) 606 West Wisconsin Ave., Milwaukee, Wis.

Munston Electronic Manufacturing Corp.
Nov. 9 (letter of notification) 50,000 shares of common stock (par 10 cents). Price—$6 per share. Proceeds—For general corporate purposes. Office—Beech Street, Islip, N. Y. Underwriter—Heft, Kahn & Infante, Inc., Hempstead, N. Y.

Mutual Credit Corp.
Oct. 6 (letter of notification) $300,000 of 6½% convertible subordinated debentures, series A, due Oct. 1, 1969. Debentures are convertible at any time through Oct. 1, 1968 into class A non-voting common stock (par $5) at the rate of 100 shares of such stock for each $500 of debentures converted. Price—At face amount. Proceeds—For the general funds of the company. Office—c/o Raymond F. Wentworth, 6 Milk St., Dover, N. H. Underwriter—Eastern Investment Corp., Manchester, N. H.

★ Napex, Inc.
Dec. 3 (letter of notification) 275,000 shares of common stock. Price—At par ($1 per share). Proceeds—To acquire a plant and plant site; for plant equipment and working capital. Office—233 S. 5th St., Grand Junction, Colo. Underwriter—None.

Narda Microwave Corp.
June 16 filed 50,000 shares of common stock (par 10 cents) and 50,000 warrants to be offered in units, consisting of one share of common stock with attached warrant entitling the holder to purchase one additional share. The statement also includes an additional 10,000 shares of common stock reserved for issuance to key employees pursuant to options. Price—To be supplied by amendment. Proceeds — To be used to retire bank loans. Underwriter—Milton D. Blauner & Co., Inc., New York. Indefinitely postponed.

National Citrus Corp.
April 20 (letter of notification) 150,000 shares of class A common stock. Price—At par ($2 per share). Proceeds—For new equipment, inventory and working capital. Address—P. O. Box 1658, Lakeland, Fla. Underwriter—R. F. Campeau Co., Inc., Detroit, Mich. On Oct. 29 the issue was accepted for filing with the Michigan Corporation and Securities Commission.

National Homes Corp.
Nov. 25 filed warrants for the purchase of 60,100 shares of class B common stock (par $.50). Price—To be supplied by amendment. Office—Earl Avenue & Wallace St., Lafayette, Ind. Underwriter—White, Weld & Co., New York City.

National Industrial Minerals Ltd.
Aug. 4 filed 150,000 shares of common stock (no par). Price — $1 per share. Proceeds — To retire indebtedness for construction of plant and for other liabilities, and the remainder will be used for operating capital. Office — Regina, Saskatchewan, Canada. Underwriter—Laird & Rumball Ltd., Regina, Saskatchewan, Canada

★ North American Investment & Development Corp.
Dec. 2 (letter of notification) 100,000 shares of common stock (no par). Price—$3 per share. Proceeds—To retire outstanding debt and for working capital. Office—906 Main Street, Cincinnati, Ohio. Underwriter—None.

North Carolina Telephone Co.
Sept. 4 filed 576,405 shares of common capital stock, to be offered for subscription by holders of outstanding stock in the ratio of two new shares for each five shares held. Price—$2 per share. Proceeds—To reduce indebtedness with the balance, if any, to be used as working capital. Office—Matthews, N. C. Underwriter—One or more security dealers will be offered any shares not subscribed for at $2 per share.

★ Northern Illinois Gas Co. (1/12)
Dec. 8 filed 150,000 shares of preferred stock (par $100). Price—To be supplied by amendment. Proceeds—To retire loans and add to working capital. Office—50 Fox Street, Aurora, Ill. Underwriters—First Boston Corp. & Glore, Forgan & Co., both of New York City.

Nova-Tech, Inc.
Nov. 4 (letter of notification) 120,000 shares of common stock (no par). Price—$2 per share. Proceeds—For development, purchase, parts for production, and additional working capital. Office—1721 Sepulveda Blvd., Manhattan Beach, Calif. Underwriter—Holton, Henderson & Co., Los Angeles, Calif.

Nu-Era Corp.
Nov. 30 filed 275,000 shares of common stock, of which 200,000 are to be publicly offered. Price—$3.75 per share. Proceeds—To reduce indebtedness and increase inventories of gears and mufflers. Office — 342 South St., Rochester, Michigan. Underwriter—Mortimer B. Burnside & Co., Inc., on an "all or nothing best efforts" basis. The underwriter will receive $15,000 for expenses, a $.75 per share selling commission on the 200,000 shares comprising the public offering, and the privilege of purchasing 37,500 shares of the common stock at $.10 per share. The 37,500 shares thus far unaccounted for are to be sold to John L. Appelbaum at $.10 per share in consideration of certain services rendered.

Occidental Petroleum Corp.
Oct. 29 filed 615,854 shares of common stock (par 20 cents), 307,927 shares of which are to be offered for subscription by holders of outstanding common stock at the rate of one new share for each 10 shares held. The remaining shares are to be offered to a group of individuals, not as yet named, who have agreed to purchase not less than 307,925 shares, and will also be offered shares not bought by the holders of the outstanding common. Price—To be supplied by amendment. Proceeds—For drilling, exploration, development, and to purchase an interest in Parker Petroleum Co. Office—8255 Beverly Boulevard, Los Angeles, Calif. Underwriter—None.

Oil, Gas & Minerals, Inc.
April 2 filed 260,000 shares of common stock (par 35 cents). Price—$2 per share. Proceeds—To retire bank loans and for investment purposes. Office—513 International Trade Mart, New Orleans, La. Underwriter Assets Investment Co., Inc., New Orleans, La. The SEC "stop order" hearing has been postponed from Nov. 23 to Dec. 23.

● Old Empire, Inc. (12/23-29)
Nov. 30 (letter of notification) 240,000 shares of common stock (par 10 cents). Price—$1.25 per share. Proceeds—For general corporate purposes. Office — 865 Prospect Ave., Newark, N. J. Underwriter—Laird, Bissell & Meeds, New York, N. Y.

Ovitron Corp., Detroit, Mich.
Oct. 27 filed 150,000 shares of common stock (par one cent). Price—$6 per share. Proceeds—For research and working capital. Underwriter—Sutro Bros. & Co., New York.

Pacific Fasteners Corp.
Nov. 27 filed 150,000 shares of capital stock (par 50 cents). Price—$2 per share. Proceeds—For new equipment and machinery and working capital. Office—640 E. 61st Street, Los Angeles, Calif. Underwriter — Holton, Henderson & Co., Los Angeles.

★ Pacific Gold, Inc.
Dec. 9 (letter of notification) 75,000 shares of common stock. Price — At par ($1 per share). Proceeds — For mining expenses. Office—404 Mining Exchange Building, Colorado Springs, Colo. Underwriter—Birkenmayer & Co., Denver, Colo.

Pacific Uranium Mines Co.
Oct. 20 filed $3,000,000 of 6% secured notes, 675,000 common stock purchase warrants, and 675,000 shares of common stock. $1,600,000 of the notes and 360,000 warrants are to be offered to holders of $1,600,000 of outstanding notes. The remaining $1,400,000 of new notes and 315,000 warrants are to be offered to American Securities Corp., acting on behalf of their clients, for a total sum of $1,344,000 for the notes and $56,000 for the warrants.

● Palomar Mortgage Co. (12/21)
Nov. 13 filed $750,000 of 15-year 7% subordinated sinking fund debentures, due 1974, with common stock warrants attached, and 80,000 shares of common stock ($1 par), to be offered in units of $1,000 principal amount of debentures with a warrant entitling the holder to buy 100 shares of common before 11/30/62. Prices—To be supplied by amendment. Proceeds — To be loaned to home builders and individual borrowers in connection with real estate. Office—4026 30th Street, San Diego, Calif. Underwriter—J. A. Hogle & Co., Salt Lake City, Utah.

Pathe News, Inc.
Sept. 17 filed 400,000 shares of common stock (par 10 cents) with warrants to purchase an additional 100,000 common shares at $3.25 per share. Price — $3.75 per share, with warrants. Proceeds—For general corporate purposes, including the addition of working capital, the reduction of indebtedness, and the provision of the $173,000 cash required upon the exercise of an option to purchase the building at 245-249 W. 55th St., New York Office—245 W. 55th Street, New York. Underwriter—Hilton Securities, Inc., formerly Chauncey, Walden, Harris & Freed, Inc., New York. Offering—Expected in about 30 days.

● Perrine Industries, Inc. (12/21-24)
Oct. 26 filed $1,500,000 of 20-year convertible subordinated debentures due 1979, to be offered in units of $500 and $1,000. Price—At par. Proceeds—To be used to establish two new plants in the midwest and southeast industrial areas; to spend $350,000 to equip these new plants; $150,000 to further equip and improve the company's Brooklyn plant; and $600,000 will be used to retire corporate indebtedness. Underwriter—S. D. Fuller & Co., New York.

Petroleum Projects
Oct. 13 filed $1,500,000 of participations in oil and gas exploratory fund. Price — The minimum participation will cost $10,000. Office—Madison, N. J. Underwriter—Mineral Projects Co., Ltd.

★ Phillip Heppner, Inc.
Dec. 4 (letter of notification) 300 shares of class A common stock (par $100) and $45,000 of promissory notes to be offered in units of one share of class A common stock and $150 of promissory notes. Price—$250 per unit. Proceeds—For working capital. Address—P. O. Box 1695, Boise, Idaho. Underwriter—None.

Pilgrim National Life Insurance Co. of America
Sept. 17 filed 100,000 shares of common stock (par $1) of which 55,000 shares are to be offered first to stockholders of record Aug. 31, 1959, and 45,000 shares (minimum) are to be offered to the public, which will also be offered any shares unsubscribed for by said stockholders Price—$5 per share. Proceeds — For general corporate purposes, possibly including the enabling of the issuing company to make application for licenses to conduct its insurance business in States other than Illinois, the sole State in which it is presently licensed. Office—222 W Adams Street, Chicago, Ill. Underwriter—None. Statement effective Nov.4.

● Pioneer Finance Co.
Dec. 7 filed 65,000 shares of convertible preferred stock (par $25), to be offered to holders of the outstanding common on the basis of one preferred share for each 15 common shares held. Price—To be supplied by amendment. Proceeds—For general corporate purposes. Office—1400 First National Bank Bldg., Detroit, Mich. Underwriters—White, Weld & Co., Inc., New York City, and Watling, Lerchen & Co., Detroit. Offering—Expected in January.

★ Policy Holders Investment Fund, Inc.
Dec. 10 filed 2,000,000 shares of common stock, which may be purchased by holders of policies issued by certain insurance companies. Office—8149 Florida Street, Baton Rouge, La.

★ Preston Moss Fund, Inc.
Dec. 14 filed 20,000 shares of capital stock Proceeds—For investment. Office—Boston, Mass.

Prudential Commercial Corp.
Oct. 21 (letter of notification) 150,000 shares of common stock (par one cent). Price—$2 per share. Proceeds—For general corporate purposes. Office—City of Dover, County of Kent, Del. Underwriter—All State Securities, Inc., 80 Wall Street, New York, N. Y.

Puerto Rico Industries, Inc.
Oct. 15 filed 48,500 shares of class A common stock, (par $1), 200,000 shares of class B common stock (par $1) and $388,000 of 6% subordinated debentures, due July 1, 1971. With the exception of 151,500 shares of class B common allocated to the organizers of the company at par, the securities are to be offered to the public in units of $4,000 of debentures, 500 class A shares, and 500 class B shares. Price—$5,000 per unit. Proceeds—For investment in the securities of its subsidiary, Puerto Rico Meat Packing Co., Inc., which will use the funds, estimated at $600,000, as operating capital. Address—P. O. Box No. 622, Little Rock, Ark. Underwriter—None.

★ Ralston Purina Co.
Dec. 14 filed 65,000 shares of common stock, to be offered pursuant to the Purina Stock Purchase Plan. Office—835 South Eighth Street, St. Louis, Mo.

● Red Fish Boat Co.
Oct. 22 (letter of notification) 400,000 shares of class A common stock (par 10 cents). Price—75 cents per share. Proceeds—To pay mortgages, accounts payable, purchase raw materials, expand production facilities and expansion of sales program. Business—Manufactures fiberglass boats. Address—P. O. Box 610 Clarksville, Texas. Underwriter—R. A. Holman & Co., Inc., New York, N. Y. Offering—Expected before Christmas.

Renewal Guaranty Corp.
Oct. 28 (letter of notification) 100,000 shares of common stock (par $1). Price—$3 per share. Proceeds—For working capital. Office—First National Bank Bldg., Suite 2323, Denver 2, Colo. Underwriter—Columbine Securities Corp., Denver, Colo.

Reserve Insurance Co., Chicago, Ill.
Oct. 20 filed 110,837 shares of capital stock, of which 62,676 are to be sold for the company's account and 48,161 shares are to be sold for the account of certain selling stockholders. Price—To be supplied by amendment. Proceeds—To be added to the general funds of the company to enable it to finance a larger volume of underwriting and to expand its area of operations. Underwriter—A. G. Becker & Co. Inc., Chicago, Ill. This offering will not be made in New York State. Offering—Postponed indefinitely.

Roulette Records, Inc.
Aug. 27 filed 330,000 shares of common stock (one cent), of which 300,000 shares are to be publicly offered. Price—$3.50 per share. Proceeds—For general corporate purposes, including moving to new quarters and installing executive offices and sound studio facilities therein, acquiring technical equipment and machinery, and adding to working capital. Office — 659 10th Avenue, New York. Underwriter—Hilton Securities, Inc., 580 Fifth Avenue, New York, formerly known as Chauncey, Walden, Harris & Freed at the same address, states that it is no longer underwriting this issue.

Russeks Fifth Avenue, Inc.
Nov. 30 filed 480,100 shares of common stock (par $.50), which may be offered for sale pursuant to the merger, scheduled for Dec 22, of Russeks and Oregon Veneer Co., by the several present holders of Oregon stock. Office—909 Diversey Parkway, Chicago, Ill.

Save-Mor Drugs, Inc.
Nov. 15 (letter of notification) 100,000 shares of common stock (par 10 cents). Price—$2 per share. Proceeds—For working capital. Office—22 M St., N. E., Washington, D. C. Underwriter—E. A. Burka, Inc., Washington, D. C.

★Seacrest Industries Corp.
Dec. 4 (letter of notification) 165,000 shares of common stock (par one cent). Price—$1 per share. Proceeds—For general corporate purposes. Office—354 Franklin Avenue, Franklin Square, L. I., N. Y. Underwriter—A. J. Gabriel Co., Inc., New York, N. Y.

★ Security Investors Fund, Inc.
Dec. 14 filed 290,000 shares of common stock Price—To be supplied by amendment. Proceeds—For investment. Office—212 South Tryon Street, Charlotte, N. C. Underwriter — Investors Management Corp., Winston-Salem, N. C., which is also investment adviser and distributor to the Fund, and with which all the Fund's officers are affiliated.

Security Mortgages, Inc.
Nov. 30 filed $250,000 of 11-year sinking fund debentures and 62,500 shares of class A common stock (par 15 cents), to be offered in units of 1 debenture and 25 common shares. Price—$100 per unit. Proceeds—To invest in equities and/or mortgages. Office — Denver 2, Colo. Underwriter—None.

Shield Chemical Ltd.
Sept. 8 (letter of notification) 95,000 shares of capital stock (par 10 cents). Price—$1.50 per share. Proceeds—To purchase and install manufacturing equipment; control and test equipment; advertising and for working capital. Office—17 Jutland Road, Toronto, Canada. Un-

derwriter—Peters, Writer & Christensen, Inc., Denver, Colorado.

Simplicity Manufacturing Co.
Nov. 30 filed 397,192 shares of class A common stock, of which 100,000 shares are to be offered by the issuing company and 297,192 shares are to be offered by the present holders thereof. **Price** — To be supplied by amendment. **Proceeds**—For general corporate purposes. **Office**—336 South Spring St., Port Washington, Wisconsin. **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill.

Sottile, Inc. (Formerly South Dade Farms, Inc.)
July 29 filed 2,000,000 shares of common stock (par $1), of which 1,543,000 shares are to be issued and sold for the account of the company, and 457,000 shares, representing outstanding stock, to be sold for the accounts of certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To retire 70% of the common stock outstanding at the date of the stock offering; to invest in the capital stocks of six of the company's seven bank subsidiaries; to repay a bank loan of $6,400,000; to add to working capital; to retire certain long-term indebtedness; and to develop citrus groves. **Office**—250 South East First Street, Miami, Fla. **Underwriter**—Bear, Stearns & Co., New York. **Offering**—Indefinite.

★ South Bay Industries, Inc.
Dec. 11 filed 210,000 shares of class A stock. **Price**—$5 per share. **Proceeds**—To pay off bank loans, purchase machinery, and add to working capital. **Office** — 42 Broadway, New York City. **Underwriter**—Amos Treat & Co., Inc., of New York City, on a "best efforts" basis. **Offering**—Expected in February.

★ South Fork Recreation Co.
Nov. 27 (letter of notification) 100,000 shares of capital stock. **Price**—At par ($3 per share). **Proceeds**—To pay liabilities and for an expansion program. **Office**—465 S. Beverly Dr., Suite 102, Beverly Hills, Calif. **Underwriter**—None.

Southeastern Factors Corp.
Dec. 9 filed $500,000 of 6% subordinated capital debentures, due Jan. 1, 1975, with warrants to purchase 100,000 shares of common stock. These debentures are to be offered on the basis of $1,000 principal amount of debentures, each such debenture bearing warrants for the purchase of 200 shares of common stock at $4.25 per share. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Office** — Charlotte, N. C. **Underwriters**—Interstate Securities Corp., Charlotte; McCarley & Co., Asheville, N. C., and Citizens Trust Co., Greenwood, S. C.

★ Southern Discount Co.
Dec. 7 (letter of notification) $155,000 of 5% 16-year subordinated debentures, series G, to be offered in denominations of $500 and $1,000 each. **Price**—At face amount. **Proceeds**—For working capital. **Office**—919 W. Peachtree Street, N. E., Atlanta, Ga. **Underwriter**—None.

Southern Growth Industries, Inc.
Nov. 12 filed 963,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For investment. **Office** — Greenville, S. C. **Underwriter** — Capital Securities Corp., 121 So. Main Street, Greenville, So. Car., on a "best efforts" basis, with a commission of 50 cents per share.

Southland Oil Ventures, Inc.
Nov. 27 filed $2,000,000 of participations in its 1960 Oil and Gas Exploration Program. **Price**—$5,000 per unit, with a minimum participation of $10,000. **Proceeds**—For exploration. **Office** — 2802 Lexington, Houston, Texas. **Underwriter**—The participations will be offered by officers of the company and by certain investment firms.

Southwestern Investment Co.
Nov. 2 filed 225,000 shares of common stock, of which 15,000 shares are to be offered to employees of the issuing company and its subsidiaries, and 210,000 shares represent outstanding stock held by previous stockholders of Southwest Acceptance Co., who may offer their shares. **Price**—At market. Office—Amarillo, Texas. **Underwriter**—None.

Sta-Brite Fluorescent Manufacturing Co.
Nov. 27 filed 140,000 shares of common stock (par $.10) **Price**—$5 per share. **Proceeds**—For plant improvements, opening new muffler and brake shops, advertising, new product engineering and promotion, and working capital. **Office**—3550 N. W. 49th St., Miami, Fla. **Underwriter**—Charles Plohn & Co., New York City. **Offering**—Expected in January.

Star Market Co.
Dec. 8 filed 200,000 shares of common stock, of which 50,000 are to be offered for the account of the issuing company, 125,000 are to be offered for the account of S. P. Mugar, President, and 25,000 are to be offered by Mugar to certain officers and employees of the company and its subsidiaries. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes, including construction. **Office**—297 Walnut Street, Newton, Mass. **Underwriter** — Hemphill, Noyes & Co., New York City.

● State Industries
Oct. 5 filed $500,000 of 6% convertible subordinated debentures, due Oct. 1, 1974. **Price**—At 100% of principal amount. **Proceeds**—For general corporate purposes, including the purchase and installation of a modern paint plant, and the purchase and installation of new tube mill equipment. **Office**—4019 Medford St., Los Angeles, Calif. **Underwriter** — John Keenan & Co., Inc., Los Angeles. **Offering**—Expected any day.

Stelling Development Corp.
June 8 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For mortgages, land, paving roads, loans payable, advertising, etc. **Office**—305 Morgan St., Tampa 2, Fla. **Underwriter**—Stanford Corp., Washington, D. C.

● Stephenson Finance Co., Inc.
Nov. 27 (letter of notification) 22,095 shares of common stock (par $2.50). **Price**—$8.75 per share. **Proceeds**—For working capital. **Office** — 215 South Dargan St., Florence, S. C. **Underwriter**—R. S. Dickson & Co., Inc., Charlotte, N. C.

Supermarket Service, Inc.
Oct. 14 (letter of notification) 9,000 shares of common stock (no par). **Price**—$11.50 per share. **Proceeds**—For working capital. **Office** — 103 E. Main St., Plainville, Conn. **Underwriter** — E. T. Andrews & Co., Hartford, Conn.

Telechrome Manufacturing Corp.
Nov. 16 filed $750,000 of 6% convertible subordinated debentures, due 1969. **Price** — At 100% of principal amount. **Proceeds**—For general corporate purposes including expansion and debt reduction. **Office**—Amityville, L. I., N. Y. **Underwriters**—Amos Treat & Co., Inc., and Truman, Wasserman & Co., Inc., both of New York City. **Offering**—Expected in January, 1960.

● Texas National Petroleum Co.
Nov. 27 filed $6,500,000 of 6½% sinking fund subordinated debentures, due Jan. 1, 1975, and warrants for the purchase of 650,000 shares of common stock ($1 par). These securities are to be offered in units of one $500 debenture and a warrant for the purchase of 50 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—To discharge bank indebtedness; to pay Utah Southern Oil Co. $19,200,000 for various properties; and for general corporate purposes. **Office**—902 South Coast Bldg., Houston, Texas. **Underwriters** — Dean Witter & Co., San Francisco, Calif., and Cruttenden, Podesta & Co., Chicago, Ill. **Offering**—Expected in January.

● TelePrompter Corp. (1/6)
Nov. 27 filed 125,000 shares of common stock ($1 par). **Price**—To be supplied by amendment. **Proceeds**—$690,000 to supply the cash portion of proposed acquisitions; $150,000 to reimburse Teleprompter's treasury for the purchase of Antennavision of Silver City, Inc., a New Mexico corporation; $100,000 to prepay in full a bank note due Dec. 31, 1960. **Office**—311 W. 43rd Street, New York City. **Underwriter**—Bear, Stearns & Co., New York City.

Timeplan Finance Corp.
Oct. 8 (letter of notification) 28,570 shares of cumulative preferred stock (par $5) and 14,285 shares of common stock (par 10 cents) to be offered in units of one share of preferred and one-half share of common. **Price**—$10.50 per unit. **Proceeds**—For working capital. **Office**—111 E. Main St., Morristown, Tenn. **Underwriter**—Texas National Corp., San Antonio, Tex.

● Tobin Craft, Inc. (12/18)
Nov. 17 (letter of notification) 75,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Address**—Bayville, Ocean County, N. J. **Underwriter**—General Investing Corp., New York, N. Y.

Tower's Marts, Inc.
Aug. 28 filed 300,000 shares of class A common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To reduce indebtedness by about $300,000, with the balance to be added to working capital of the company and its subsidiaries. **Office**—210 East Main Street, Rockville, Conn. **Underwriters**—To be supplied by amendment.

Transamerica Corp.
Nov. 9 filed 832,000 shares of capital stock (par $2), to be offered in exchange for the capital stock (par $6.25) of American Surety Co. of N. Y., on the basis of two shares of Transamerica for three shares of Surety. The offer is conditional upon holders of 51% of the Surety stock accepting the exchange. **Office**—Montgomery St. at Columbus Ave., San Francisco, Calif.

Transcon Petroleum & Development Corp., Mangum, Okla.
March 20 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For development of oil properties. **Underwriter**—First Investment Planning Co., Washington, D. C.

Transit Freeze Corp.
Dec. 3 (letter of notification) 75,000 shares of common stock (par 10 cents). **Price**—$4 per share. **Proceeds**—For expenses incidental to the development of a frozen food trucking business. **Office**—152 W. 42nd Street, New York City. **Underwriter** — Jerome Robbins & Co., 82 Wall Street, on a "best efforts" basis. **Offering**—Expected in January.

★ Transportation Equipment Development Corp.
Dec. 3 (letter of notification) 16,666 shares of common stock (par $1). **Price** — $3 per share. **Proceeds** — For working capital. **Office**—1625 Eye St., N. W., Washington, D. C. **Underwriter**—None.

★ Transval Electronics Corp.
Dec. 7 (letter of notification) 150,000 shares of capital stock (par 50 cents). **Price**—$2 per share. **Proceeds**—For development, equipment and working capital. **Office**—10401 W. Jefferson Boulevard, Culver City, Calif. **Underwriter**—None.

Trans-World Financial Co.
Oct. 26 filed 645,000 shares of common stock (par $1) of which 420,000 shares are to be offered for the account of the issuing company, and 225,000 shares are to be offered for the accounts of the present holders thereof. **Price** — To be supplied by amendment. **Proceeds** — To repay bank loans on its own behalf and that of a subsidiary, and to liquidate the unpaid balance for the common stock of a subsidiary, with the balance to be added to general funds. **Office** — 8001 Beverly Boulevard, Los Angeles, Calif. **Underwriter**—W. R. Staats & Co., Los Angeles, who has acquired for investment purposes in exchange for $20,000 cash the 10,000 shares of the filing not accounted for above. **Offering**—Expected shortly.

Tri-State Petroleum Corp.
Nov. 12 (letter of notification) 199,900 shares of common stock (par five cents). **Price**—$1.50 per share. **Proceeds**—For expenses for drilling and producing oil. **Office**—1403 G. Daniel Baldwin Bldg., Erie, Pa. **Underwriter**—Daggett Securities Inc., Newark, N. J.

(The) T Transportation Plan, Inc.
Oct. 7 filed $600,000 of 7% convertible subordinated debentures, due November, 1969, 60,000 shares of common stock (par one cent) and 30,000 common stock purchase warrants, to be offered in units consisting of $100 of debentures, 10 common shares, and 5 warrants. **Price**—$150 per unit. **Proceeds**—For general corporate purposes, including working capital. **Office**—120 Broadway, New York City. **Underwriter**—Ross, Lyon & Co., Inc., New York states that they are no longer underwriting this issue.

Turner Timber Corp.
Nov. 12 filed $2,000,000 of 6¾% convertible debentures, due 1969, and 250,000 shares of common stock (par one cent), to be offered in units consisting of $1,000 principal amount of debentures and 125 shares of stock. **Price**—$1,001.25 (plus accrued interest from 12/15/59) per unit. **Proceeds**—For the acquisition of coal and timber properties, with any balance to be added to working capital. **Office**—60 E. 42nd Street, New York City. **Underwriter**—Frank P. Hunt & Co., Inc., Rochester, N. Y.

United Employees Insurance Co.
April 16 filed 2,000,000 shares of common stock (par $5). **Price** — $10 per share. **Proceeds** — For acquisition of operating properties, real and/or personal, including office furniture, fixtures, equipment and office space, by lease or purchase. **Office** — Wilmington, Del. **Underwriter**—None. Myrl L. McKee of Portland, Ore., is President.

U. S. Magnet & Alloy Corp.
Oct. 3 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Office**—266 Glenwood Avenue, Bloomfield, N. J. **Underwriter**—Robert Edelstein Co., 52 Wall Street, New York 5, N. Y.

★ United States Plywood Corp.
Dec. 15 filed $1,000,000 of participations in its Employees Stock Purchase Plan for 1960, together with 25,000 shares of common stock which may be acquired pursuant thereto. **Office**—New York City.

United Tourist Enterprises, Inc.
Jan. 28 filed 4,500,000 shares of class A common stock (par 50 cents). **Price** — $2 per share. **Proceeds** — For development and construction of a "Western Village" and for construction of a Grand Estes Hotel and Convention Hall, to be constructed in the immediate vicinity of Estes Park Chalet, located in Larimer County, Colo. **Office** — 330 South 39th Street, Boulder, Colo. **Underwriter**—Mid-West Securities Corp., Littleton, Colo. Statement effective Oct. 9.

Universal Container Corporation
Sept. 25 filed 167,500 shares of class A common stock (par 10 cents), of which 150,000 shares are to be publicly offered. **Price** — $4 per share. **Proceeds** — For general corporate purposes, including provision of funds for the purchase of the assets of a similarly engaged enterprise, working capital, new equipment, and expansion. **Office**—Louisville, Ky. **Underwriter**—Michael G. Kletz & Co. and Stanley Heller & Co., both of New York; Stein Bros. & Boyce, Louisville, Ky.; Roman & Johnson, Fort Lauderdale, Fla. **Offering**—Expected later this month.

Val Vista Investment Co., Phoenix, Ariz.
June 29 filed 80 investment contracts (partnership interests) to be offered in units. **Price**—$5,378.39 per unit. **Proceeds**—For investment. **Underwriter**—O'Malley Securities Co. Statement effective Aug. 11.

Variable Annuity Life Insurance Co. of America
April 21 filed $4,000,000 of Variable Annuity Policies. **Price**—No less than $120 a year for annual premium contracts and no less than $1,500 for single premium contracts. **Proceeds**—For investment, etc. **Office**—1832 M Street, N. W., Washington, D. C. **Underwriter**—None.

Vickers-Crow Mines, Inc.
Nov. 23 (letter of notification) 150,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Office** — 321½ Grant Ave., Eveleth, Minn. **Underwriter**—Sakier & Co., Inc., 50 Broad St., New York, N. Y.

Vita-Plus Beverage Co., Inc.
Aug. 11 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For publicity, advertising, business promotion and initiation of a program of national distribution and for working capital. **Office**—373 Herzl St., Brooklyn, N. Y. **Underwriter**—Glen Arthur & Co., New York, N. Y.

● Vulcan Materials Co., Inc.
June 29 filed 10,000 shares of 6¼% cumulative preferred stock and 470,356 shares of common stock, offered to the stockholders of Ralph E. Mills Co., Talbott Construction Corp. and Talco Constructors, Inc., in exchange for all the outstanding capital stock of these three corporations, and to the owner of Sherman Concrete Pipe Co., Chattanooga, Tenn., for the business and assets of that company. **Office**—Mountain Brook, Ala. Statement became effective on July 20. This exchange has been completed.

● Washington Water Power Co. (1/7)
Nov. 24 filed $10,000,000 of first mortgage bonds and $5,000,000 of sinking fund debentures due 1985. **Price**—To be supplied by amendment. **Proceeds** — To repay notes due May 2, 1960 in the amount of $12,000,000, with

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the balance for construction. **Underwriters** — Kidder, Peabody & Co., Blyth & Co., Inc., White, Weld & Co. and Dean Witter & Co., all of New York.

Wear-Weld Engineering & Mfg. Co.
Nov. 16 (letter of notification) $150,000 of 7% 16-year debentures to be offered in denominations of $250 and 75,000 shares of common stock (no par) to be offered in units of one $250 debenture and 125 shares of common stock. **Price**—$500 per unit. **Proceeds**—For working capital and part payment of indebtedness to the bank. **Office**—4831 S. E. Division Street, Portland, Ore. **Underwriter**—Merritt, Vickers, Inc., New York, N. Y.

● **Wellington Electronics, Inc.**
May 6 filed 240,000 shares of common stock (par 75 cents. **Price**—$6 per share. **Proceeds**—For repayment of a bank note; to complete the automation of the etched foil production plant at Englewood, N. J.; for manufacture of machines to be leased to capacitor manufacturers; and for working capital. **Office**—65 Honeck St., Englewood, N. J. **Underwriters**—Amos Treat & Co., Inc., and Truman, Wasserman & Co., both of New York Statement, effective July 8, has been withdrawn.

● **Wellington Management Co.**
Nov. 30 filed 450,000 shares of class A common stock (non-voting), of which 58,000 shares are newly-issued stock to be acquired by the underwriters from the issuing company, and the remaining 392,000 shares are outstanding shares to be acquired from the present holders thereof. **Price**—To be supplied by amendment. **Proceeds**—To reduce indebtedness from $1,650,000 to $600,000, with the balance to be used for working capital. **Office**—1630 Locust St., Philadelphia, Pa. **Underwriters**—Bache & Co. (handling the books) and Kidder, Peabody & Co., both of New York City. **Offering**—Expected in January.

Western Carolina Telephone Co.
Nov. 4 filed 71,513 shares of common stock (par $5), to be offered to stockholders on the basis of one new share for each five shares held. **Price**—$6.75 per share. **Proceeds**—For general corporate purposes, including the reduction of indebtedness and the continuation of construction. **Office**—15 South Main St., Weaverville, N. C. **Underwriter**—None.

Western Wood Fiber Co.
March 5 filed 100,000 shares of common stock (par $10) and 40,000 shares of preferred stock (par $25). **Price**—At par. **Proceeds**—For construction and equipment of company's plant and for working capital. **Office**—300 Montgomery St., San Francisco, Calif. **Underwriter**—None.

★ **White-Rodgers Co.**
Dec. 3 (letter of notification) 15,000 shares of common stock (par $5). **Price** — $20 per share. **Proceeds** — To purchase equipment and for working capital. **Office**—1209 Cass Avenue, St. Louis, Mo. **Underwriter**—Scherck, Richter Co., St. Louis, Mo.

Wyoming Nuclear Corp.
Sept. 11 (letter of notification) 10,000,000 shares of common stock. **Price**—At par (three cents per share). **Proceeds**—For mining expenses. **Office**—Noble Hotel Bldg., Lander, Wyo. **Underwriter**—C. A. Benson & Co., Inc., Pittsburgh, Pa.

York County Gas Co.
Oct. 26 (letter of notification) 5,571 shares of common stock (par $20) being offered for subscription by stockholders of record Nov. 17, 1959, on the basis of one new share for each 15 shares then held; warrants to expire Dec. 21, 1959. Unsubscribed shares go to full-time, regular employees (including officers) allowing them to subscribe for not more than 100 additional shares, subject to allotment; these rights also expire Dec. 21, 1959. **Price**—$47 per share. **Proceeds**—To pay off a temporary bank loan. **Office**—127 W. Market St., York, Pa. **Underwriter**—None.

Prospective Offerings

American Jet School, Inc., Lansing, Mich.
Aug. 31 it was announced that the corporation plans to issue and sell 100,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For expansion of present Michigan and Ohio sales force to a national one, and introduction of new courses and resident study schools. **Business**—In correspondence school business. **Office**—1609 Kalamazoo St., Lansing, Mich. **Underwriter**—In New York, to be named. The company is presently negotiating with two New York underwriters.

Britton Electronics Corp.
It has been reported that this Queens Village, L. I., company is expected to offer an issue of common stock in January, pursuant to an SEC registration. **Proceeds**—For plant and equipment, including the expansion of a semi-conductor line for silicon products. **Underwriter**—First Philadelphia Corp., 40 Exchange Place, New York City.

Brooklyn Union Gas Co.
Dec. 7 it was reported that the company plans to issue about $20,000,000 of securities in the second quarter of 1960. The precise form of the offering is expected to be announced in the first quarter. The company's current thinking is that it will take the form of straight preferred stock. About $120,000,000 is expected to be spent for construction in the 1959-1964 period, of which some $80,000,000 will be sought from outside financing, with the $40,000,000 remainder expected to be internally generated. **Proceeds**—The offering now "in the works" is expected to liquidate bank loans of about $13,000,000 the company will have outstanding as of the end of this year, in addition to about $2,250,000 of bank loans undertaken in order to call in the preferred stock of Brooklyn Borough Gas Co., acquired by consolidation last June. This company had about 100,000 meters in the Coney Island (N. Y.) area. **Office**—176 Remsen Street, Brooklyn 1, N. Y.

Coffee House, Inc., Lansing, Mich.
Aug. 31 it was announced company plans to issue and sell 100,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds** — To build chain of coffee houses, establish commissaries and for general corporate purposes. **Office** — 1500 Clifton Ave., Lansing, Mich. **Underwriter**—In New York, to be named.

★ **Consolidated Research & Mfg. Corp.**
Dec. 16 it was reported that this firm, founded last August as a Delaware corporation, plans its first public financing in the form of a common stock offering scheduled for next spring. **Buusiness**—The company produes spray containers to combat ice, snow, and fog. **Proceeds**—For expansion. **Office**—1184 Chapel St., New Haven, Conn. **President**—Marvin Botwick.

● **Duquesne Light Co. (2/23)**
Dec. 2 it was announced by Philip A. Fleger, President and Board Chairman, that the utility's sole financing in 1960 is expected to consist of $20,000,000 of non-convertible debentures. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Eastman Dillon, Union Securities & Co.; A. C. Allyn & Co., Inc. and Ladenburg, Thalmann & Co. (jointly); White, Weld & Co.; The First Boston Corp. and Glore, Forgan & Co. (jointly); Blyth & Co., Inc.; Drexel & Co. and Equitable Securities Corp. (jointly).

Engelhard Industries, Inc.
Dec. 2 it was reported that this Newark, N. J., corporation might make an announcement in the next two weeks concerning a forthcoming issue of common stock.

First National Bank of Miami, Fla.
Sept. 14 it was announced stockholders have approved a proposed offering to stockholders of 150,000 additional shares of capital stock (par $10) on the basis of one new share for each four shares held. **Price**—$40 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

Florida West Coast Corp.
Oct. 22 it was reported that a public offering of common stock is expected later this year. **Proceeds** — For land acquisition. **Office**—30 East 60th Street, New York City. **Underwriter**—Midtown Securities Corp., same address. **Registration**—Expected in a couple of weeks. **Offering**—Expected in January, 1960.

Hawaiian Telephone Co.
Aug. 3 it was reported company received approval from the Territorial Public Utilities Commission to issue about $4,500,000 of new bonds. Last bond issues were placed privately.

Hi-Press Air Conditioning Corp. of America
Dec. 8 it was reported that this corporation expects to register 200,000 shares of common stock in the next few weeks. **Price** — $3 per share. **Proceeds** — For working capital and equipment. **Office**—405 Lexington Ave., New York City. **Underwriter** — Plymouth Securities Corp., New York City, who will work on a gross commission of 12%.

Independent Radio, Inc., Lansing, Mich.
Aug. 31 it was announced company plans to issue and sell 100,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds**—For acquisition of radio stations. **Business** — Radio broadcasting. **Office**—130 Shepard St., Lansing, Mich. **Underwriter**—In New York, to be named.

National Mail Order Co., Lansing, Mich.
Oct. 5 it was announced company plans to register an issue of 100,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds**—For expansion and working capital. **Office**—130 Shepard St., Lansing, Mich. **Underwriter**—To be named later in New York State.

Nedick's Stores, Inc.
Nov. 12 it was reported that the company is contemplating the placing in registration of 17,000 shares of common stock. About 66% of the issue will be sold for the company's account and the remaining 34% balance will be sold for the account of a selling stockholder. **Underwriter**—Van Alstyne, Noel & Co., New York.

South Carolina Electric & Gas Co.
June 22, S. C. McMeekin, President, announced plans to sell approximately $8,000,000 of bonds in December, 1959. **Proceeds**—To repay bank loans incurred for current construction program. Previous issues have been placed privately.

Tampa Electric Co.
Sept. 14 it was reported that the company is planning the sale of about $7,000,000 of additional common stock, probably in the form of a rights offering and a negotiated underwriting. Last rights offering was underwritten by Stone & Webster Securities Corp., New York.

Transcontinental Gas Pipe Line Corp.
Sept. 29 it was announced that the company plans to come to market twice in 1960 with the sale of first mortgage bonds, and common and preferred stock. **Proceeds**—To raise permanent funds for the financing of its 1960 expansion program. **Office**—Houston, Texas.

West Florida Natural Gas Co.
Nov. 25 it was reported that the company is contemplating the filing of an amendment to its original registration statement of Aug. 28 which will provide for the specific type of securities to be offered in exchange for the company's presently outstanding 6% 20-year income debenture bonds. It was originally contemplated that the proposed financing would consist of $837,200 of 7½% subordinated debentures and warrants to purchase 25,116 shares of class A common stock ($1 par). White, Weld & Co. and Pierce, Carrison, Wulbern, Inc. (jointly) will underwrite the offering. It is expected that the offering will take place early in January.

Downtown Glee Club to Give Christmas Concert

For the past 34 years a group of approximately 175 men have gathered weekly in lower Manhattan during a season of eight months to join in song and to enjoy the resulting musical and social fellowship.

This body of men, the Downtown Glee Club, is drawn from all walks of life; business, professional and the arts. Their love of music brought them into association originally and has fostered a deep loyalty to this organization over the passing years. The Club is supported by the dues of the active members and by ticket subscriptions of associate members.

This week—Friday, Dec. 18 at 8:30 p.m.—they stage their 34th Annual Christmas Concert. Among those in the brokerage, investment banking, and investment counsel business are:

A. J. Bright, Salesman with Malon S. Andrus, Inc.

John B. Dighton, Salesman with Roosevelt & Cross, Inc.

Elbert A. Holt, Statistician, Moody's Investors Service.

Charles W. Marquiss, Syndicate Sales, Smith Barney & Co.

Joseph F. McKeever, Assistant Head Order Department with DeCoppet & Doremus.

Harold L. Ostergren, Vice-President, Dillon Read & Co., Inc.

Lester C. Stutts, Manager Investment Research Dept., Laird Bissell & Meeds.

Gerard Tonachel, Vice-President, Standard & Poor's Corporation.

Walter E. Sullivan, Institutional Salesman with Hayden, Stone & Co.

Lester A. Walters, Methods Analyst, Merrill Lynch, Pierce, Fenner & Smith, Inc.

Kenneth Van Horn, Order Dept., A. M. Kidder & Co.

Wellesley W. Bowdish, Account Manager, and James S. Ferris, Analyst, both with De Vegh & Company, Investment Counsel.

Musical ability and Glee Club experience are the major requirements for membership in the organization, which—along with the New York Philharmonic Orchestra and New York Oratorio Society—is one of the only three groups to appear at Carnegie Hall consecutively for over 30 years. The Hall now is scheduled for dismantlement.

Conductor of the group is Dr. George Mead, organist and choir director of Trinity Church, New York.

Wagner, Stott Partner

Morris Glazer will become a partner in Wagner, Stott & Co., 20 Broad St., New York City, on January 1.

Payson Adds to Staff

(Special to The Financial Chronicle)

PORTLAND, Maine — James D. Riordan has been added to the staff of H. M. Payson & Co., 93 Exchange St.

Haas, Raymond Co. Sells Beryllium Common Stock

Haas, Raymond & Co. offered and quickly sold on Nov. 23 200,000 shares of the common stock of the Standard Beryllium Corp., of 1776 Broadway, New York City. The price was $1.50 per share.

The company is engaged in the business of buying and reselling Beryllium ore and other pegmatitic minerals. The company does not engage in, nor does it presently propose to engage in, any mining operations or exploratory mining operations. It has since its inception only dealt in the buying and selling of ore and does not own any mining properties with the exception of its investment in Macons, Ltda. The company purchases all of the Beryllium ore from mining companies located in Brazil and substantially all of such ore is resold to The Beryllium Corp., Reading, Pa., under an agreement executed in New York dated March 27, 1959. The Beryllium Corp. is one of the largest users of beryllium ore in the United States and is a leader in the field of research and production in the beryllium field.

25th Anniversary For B. W. Pizzini

B. W. Pizzini & Co., 25 Broad Street, New York City, is celebrating its 25th anniversary.

Founded on Dec. 17, 1934, B. W. Pizzini & Co., is a member firm of the New York Stock Exchange and an associate member of the American Stock Exchange. General partners include W. Gurden Halsey, another founder of the firm; Russell Hartranft, Jr.; Frederick J. Pflugfelder; and Walter V. Bradley. Chester Bland is a limited partner.

Rejoins Thomson McKinnon

OSHKOSH, Wis.—Harold G. Barlow has rejoined the staff of Thomson & McKinnon, First National Bank Building.

Security Traders Ass'n. of Chicago

The following officers have been chosen by the Security Traders Association of Chicago for 1960:


George F. Hummel


Charles G. Scheuer

President: Charles G. Scheuer, Wm. H. Tegtmeyer & Co.

Vice-President: George F. Hummel, Reynolds & Co.

Secretary: Theodore E. Wouk, First National Bank of Chicago.

Treasurer: Glen J. Thomas, Harris, Upham & Co.

Trustees of the Gratuity Fund (two-year term): Fred J. Casey, Doyle, O'Connor & Co., and Henri P. Pulver, McMaster, Hutchinson & Co.

The Association will hold its annual Mid-Winter Party at the Ambassador West, Guild Room, on January 25.

MUTUAL FUNDS

BY ROBERT E. RICH

Here and There on the Fund Scene

Since this is the time of the year when nearly everybody takes stock and ventures a prediction for the year ahead, it is only logical that someone should see fit to size up the mutual fund outlook for 1960. Someone has. The mutual fund service division of **Kalb, Voorhis & Co.,** member of the New York Stock Exchange, has just released the results of a survey of a cross-section of funds with assets totaling $3.5 billion, about 20% of the combined assets of all open-end investment companies. What the survey shows is that mutual fund sponsor companies are predicting an average 15% increase in sales for 1960 over this year. Fund dealers, more enthusiastic chaps, look for an average 25% increase.

This year's growth in fund assets, reports the Kalb, Voorhis study, was largely the result of lump sum investments. These accounted for 61% of sales, compared to 30% through various plans and 9% through dividend reinvestment. Yet more than one-third of dealers replying said they will put the greatest emphasis on contractual plans next year. In states where contractual plans are not permitted, more than one-half of the dealers reported they intended to push hardest for voluntary plans. Replied one highly optimistic dealer: "With all the favorable publicity, growing acceptance and outstanding performance records, we have only one way to go—**up.**"

* * *

"The whole trend in mutual fund retailing is toward a more professional approach." Those are the words of Norman F. Dacey, who heads up **Norman F. Dacey and Associates,** financial consultants and trustees of Bridgeport, Conn. Like **Fiduciary Mutual Investing Co.,** mentioned in this column two weeks ago, Dacey is making it his business to lure away some of the banks' trust business for the mutual funds. His particular device is the **Dacey Trust,** which will take mutual fund shares into trust for those interested in such service. Within a week or so, Dacey will announce the publication of a fact-filled booklet entitled "A Modern Plan for Your Tomorrows." It will be available to fund dealers for their clients. Here is an extract: "Ordinarily, the principal factors in the choice of a bank trustee are faith and hope. . . . The use of a mutual fund as the medium of investment in a living trust permits the selection of management on a much more knowledgeable basis. . . ."

* * *

One piece of pending legislation fund men have been eyeing hopefully is the **Simpson-Keogh Bill,** which provides for tax deferrals in retirement plans for the self-employed. This bill, authorizing the purchase of investment company shares for such plans, was passed by the House and is now lodged in the Senate Finance Committee. The Treasury currently opposes the bill on the ground that it might create precedent for tax changes in retirement plans generally and consequent loss of Federal revenue. But government money men are still looking into the matter. Says Treasury General Counsel David A. Lindsay: "The entire question merits and is being given extensive study."

The Funds Report

Sales of **Wellington Fund** during the first 11 months of the year came to $129,523,174, up by $21,795,510 over the same period of 1958, President Joseph E. Welch of **Wellington Company, Inc.,** announces. For November alone, sales amounted to $12,233,638, a $676,419 gain over November of last year.

* * *

Observes **Pioneer Fund, Inc.** in its bulletin **"Pioneering:"** "There is widespread uneasiness over the future of the dollar. Before long, surely, some politician will turn statesman and rally public support behind the measures necessary to restore the dollar to first place in the markets of the world. If this faith is justified, the future of bond prices looks less dismal than many observers now believe. Thus the present bond market, in which prices are close to the lowest levels of many years, may offer real investment opportunities."

* * *

In declaring a fourth quarter dividend of 14c per share, directors of **Broad Street Investing Corp.** noted an anniversary: 30 years of uninterrupted dividends from investment income.

At the close of business on Oct. 31, the **Income Fund of Boston, Inc.** had 63.21% of its assets in common stock, 19.58% in bonds and 14.19% in preferred stock. One year ago, the fund was more heavily invested in common stock, which accounted for 77.17% of assets compared to 11.21% in bonds and 9.56% in preferred stock. Common stocks eliminated in the latest quarter: Moore McCormack Lines, Norfolk & Western Railway and United Fruit. Added was Virginian Railway.

* * *

Total assets of **20th Century Investors Inc.,** a Kansas City, Mo., investment company started in November, 1958, are expected to exceed $1,000,000 before the end of the year. The company offers two classes of stock—**20th Century Income Investors** and **20th Century Growth Investors.**

* * *

Directors of **Energy Fund,** a no-load mutual fund, have voted to eliminate the redemption charge on the fund's shares. Currently, Energy Fund shares are redeemed by the fund at 99% of net asset value. Stockholders will be asked to ratify the proposal at the annual meeting on Jan. 19, 1960.

* * *

In the year ended Oct. 31, **Axe-Houghton Fund B, Inc.** increased its net assets from $100,382,982, equal to $7.87 per share, to $129,497,362, equal to $8.28 per share. Largest common stock holdings (in order) at year-end were: Metropolitan Broadcasting Corp., City Investing, Pittston, Unilever N. V., Norfolk & Western Railway, Dana Corp., Missouri Pacific Railroad, Pennsylvania Railroad and Cuban Electric Co.

* * *

The board of directors of **Worth Fund,** a closed-end investment company specializing in textile and related securities, has declared its first cash dividend, which will amount to $1 per share and be paid Dec. 28. At the same time, the directors initiated proceedings to convert Worth Fund into an open-end investment company. A special stockholders' meeting will be called for this purpose.

* * *

Florida Growth Fund, Inc. reports that sales for the first 11 months totaled $1,654,511, an increase of 155% over the same period of last year. Sales for November amounted to $168,602, an 119% gain over November of 1958.

* * *

Eaton & Howard, Inc., Boston investment management firm, is celebrating the 35th anniversary of its founding by Charles F. Eaton, Jr., its President, and the late John G. Howard. The firm manages **Eaton & Howard Balanced Fund** and **Eaton & Howard Stock Fund,** which have combined assets of more than $350,000,000.

* * *

Commonwealth Stock Fund reports that on Oct. 31 net assets amounted to $13,300,770, equal to $15.18 on each of 891,589 shares. This compares with $8,493,508, $13.93 a share and 609,694 shares on Oct. 31, 1958.

* * *

Mutual Income Fund had net assets of $16,975,444 at Oct. 31, up from $12,657,036 a year earlier. During the year shares outstanding rose to 1,097,300 from 810,312.

* * *

Emerson W. Axe, President of **Axe-Houghton Funds,** regards the high level of interest rates as the principal unfavorable factor in the business outlook. But Mr. Axe is optimistic. "The gold outflow," he observes, "has been sharply reduced and there is less divergence between interest rates here and abroad than there was a year ago. It seems probable, therefore, that interest rates will not become so high as to prevent a generally satisfactory level of business during the coming year."

Klapper in NYC

D. Klapper Associates is now conducting its business from offices at 63 Wall St., New York City. The firm's offices were previously in Brooklyn.

Daugherty, Butchart Adds

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore. — Roy Hollabaugh is now with Daugherty, Butchart & Cole Inc., 729 Southwest Alder Street.

Weicker to Be Managing Partner Of E. F. Hutton Co.

Ruloff E. Cutten, senior partner and Chairman of the Executive Committee of E. F. Hutton & Company, 61 Broadway, New York City since 1938, has announced that Theodore Weicker, Jr., now a general partner and Vice-Chairman of the Executive Committee, will become managing partner of the firm Jan. 1, with full authority to direct all operations. Mr. Cutten will become Chairman of a new Committee on Policy which will replace the former Executive Committee. Sylvan C. Coleman, a general partner since 1938, will become Vice-Chairman of this Committee. Other members will be managing partner Weicker and general partners Gerald M. Loeb of New York, Franklin G. Clement of Chicago, Murray Ward of Los Angeles, and W. Allen Taylor of Dallas.


Theodore Weicker, Jr.

E. F. Hutton & Company, organized in 1904, has 36 offices throughout the United States.

Mr. Weicker brings to his new post a broad background of management and financial experience. About half of his business life has been with the firm of E. R. Squibb & Sons and the other half in the brokerage business with his own firm and with E. F. Hutton & Company.

At Squibb he organized, staffed and supervised all its foreign operations which became one of the most successful operations of its kind in the world. In his own firm of Weicker & Co. he had the largest number of members of the Exchange ever in one partnership engaged solely in the business of handling roundlot transactions for other firms.

R. W. Thomas Opens

(Special to THE FINANCIAL CHRONICLE)

SKOKIE, Ill.—Robert W. Thomas is engaging in a securities business from offices at 5430 Foster St. under the firm name of Thomas Investment Co. He was formerly with George M. Baker & Co.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated Steel operations (per cent capacity)	Dec. 19	§96.4	*96.5	78.9	74.5
Equivalent to—					
Steel ingots and castings (net tons)	Dec. 19	§2,729,000	*2,732,000	2,233,000	2,011,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Dec. 4	7,026,525	6,968,675	6,898,975	7,067,285
Crude runs to stills—daily average (bbls.)	Dec. 4	†7,983,000	7,973,000	7,681,000	7,666,000
Gasoline output (bbls.)	Dec. 4	28,772,000	28,957,000	27,575,000	28,146,000
Kerosene output (bbls.)	Dec. 4	2,600,000	2,333,000	2,267,000	2,221,000
Distillate fuel oil output (bbls.)	Dec. 4	13,168,000	12,904,000	12,083,000	12,620,000
Residual fuel oil output (bbls.)	Dec. 4	6,713,000	7,040,000	6,086,000	6,712,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Dec. 4	181,406,000	179,179,000	175,800,000	174,305,000
Kerosene (bbls.) at	Dec. 4	30,351,000	31,692,000	32,764,000	31,009,000
Distillate fuel oil (bbls.) at	Dec. 4	164,093,000	170,886,000	181,624,000	155,826,000
Residual fuel oil (bbls.) at	Dec. 4	53,898,000	56,189,000	57,799,000	65,137,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Dec. 5	649,639	574,126	560,658	594,884
Revenue freight received from connections (no. of cars)	Dec. 5	524,583	533,385	510,960	513,068
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Dec. 10	$293,700,000	$383,400,000	$444,300,000	$353,298,000
Private construction	Dec. 10	154,800,000	233,400,000	265,700,000	170,871,000
Public construction	Dec. 10	138,900,000	150,000,000	178,600,000	182,427,000
State and municipal	Dec. 10	98,700,000	79,400,000	148,900,000	139,233,000
Federal	Dec. 10	40,200,000	70,600,000	29,700,000	43,194,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Dec. 5	9,050,000	*8,000,000	7,675,000	9,160,000
Pennsylvania anthracite (tons)	Dec. 5	446,000	421,000	423,000	452,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Dec. 5	249	176	155	244
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Dec. 12	14,167,000	13,907,000	13,270,000	13,450,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Dec. 10	248	261	285	267
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Dec. 8	6.196c	6.196c	6.196c	6.196c
Pig iron (per gross ton)	Dec. 8	$66.41	$66.41	$66.41	$66.41
Scrap steel (per gross ton)	Dec. 8	$42.50	$43.50	$46.17	$39.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Dec. 9	33.375c	33.475c	34.525c	28.500c
Export refinery at	Dec. 9	31.250c	29.650c	31.525c	26.825c
Lead (New York) at	Dec. 9	13.000c	13.000c	13.000c	13.000c
Lead (St. Louis) at	Dec. 9	12.800c	12.800c	12.800c	12.800c
‡Zinc (delivered) at	Dec. 9	13.000c	13.000c	13.000c	12.000c
Zinc (East St. Louis) at	Dec. 9	12.500c	12.500c	12.500c	11.500c
Aluminum (primary pig. 99.5%) at	Dec. 9	24.700c	24.700c	24.700c	24.700c
Straits tin (New York) at	Dec. 9	100.000c	99.625c	101.250c	99.250c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Dec. 15	81.19	81.73	83.25	87.23
Average corporate	Dec. 15	83.79	84.17	84.17	90.63
Aaa	Dec. 15	87.59	87.99	87.99	95.16
Aa	Dec. 15	85.46	86.11	86.11	93.52
A	Dec. 15	83.66	83.79	84.04	90.06
Baa	Dec. 15	79.01	79.25	78.78	84.30
Railroad Group	Dec. 15	81.66	82.03	82.40	88.67
Public Utilities Group	Dec. 15	83.91	84.43	83.79	90.48
Industrials Group	Dec. 15	85.85	86.38	86.11	92.64
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Dec. 15	4.45	4.37	4.19	3.69
Average corporate	Dec. 15	4.88	4.85	4.85	4.37
Aaa	Dec. 15	4.59	4.56	4.56	4.06
Aa	Dec. 15	4.75	4.70	4.70	4.17
A	Dec. 15	4.89	4.88	4.86	4.41
Baa	Dec. 15	5.27	5.25	5.29	4.84
Railroad Group	Dec. 15	5.05	5.02	4.99	4.51
Public Utilities Group	Dec. 15	4.87	4.84	4.88	4.38
Industrials Group	Dec. 15	4.72	4.68	4.70	4.23
MOODY'S COMMODITY INDEX	Dec. 15	374.4	377.2	388.4	391.0
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Dec. 5	338,553	275,752	361,161	344,015
Production (tons)	Dec. 5	295,929	310,853	319,477	277,282
Percentage of activity	Dec. 5	86	91	94	84
Unfilled orders (tons) at end of period	Dec. 5	476,497	438,833	523,320	438,091
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE—100	Dec. 11	111.67	111.54	111.71	110.61
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS					
Transactions of specialists in stocks in which registered—					
Total purchases	Nov. 20	2,695,570	2,648,330	2,209,290	2,802,270
Short sales	Nov. 20	419,240	419,310	316,670	582,460
Other sales	Nov. 20	2,250,120	2,191,190	1,834,050	2,248,140
Total sales	Nov. 20	2,669,360	2,610,500	2,150,720	2,830,600
Other transactions initiated off the floor—					
Total purchases	Nov. 20	379,500	510,280	496,030	612,100
Short sales	Nov. 20	34,100	59,100	73,820	53,700
Other sales	Nov. 20	403,840	508,950	458,880	621,810
Total sales	Nov. 20	437,940	568,050	532,700	675,510
Other transactions initiated on the floor—					
Total purchases	Nov. 20	1,005,310	864,570	800,540	958,335
Short sales	Nov. 20	240,063	137,810	111,710	149,100
Other sales	Nov. 20	1,073,473	868,745	754,273	1,016,092
Total sales	Nov. 20	1,313,536	1,006,555	865,983	1,165,192
Total round-lot transactions for account of members—					
Total purchases	Nov. 20	4,080,380	4,023,180	3,505,860	4,372,705
Short sales	Nov. 20	693,403	616,220	502,200	785,260
Other sales	Nov. 20	3,727,433	3,568,885	3,047,203	3,886,042
Total sales	Nov. 20	4,420,836	4,185,105	3,509,403	4,671,302
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	Nov. 20	1,959,235	1,828,308	1,565,776	1,900,583
Dollar value	Nov. 20	$101,064,443	$93,652,438	$79,971,089	$88,492,604
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Nov. 20	1,644,026	1,502,830	1,295,247	1,892,415
Customers' short sales	Nov. 20	10,675	9,686	11,965	9,669
Customers' other sales	Nov. 20	1,633,355	1,493,144	1,283,282	1,882,746
Dollar value	Nov. 20	$81,686,253	$76,890,597	$63,675,160	$89,780,578
Round-lot sales by dealers—					
Number of shares—Total sales	Nov. 20	425,630	374,870	329,660	598,270
Short sales	Nov. 20	—	—	—	—
Other sales	Nov. 20	425,630	374,870	329,660	598,270
Round-lot purchases by dealers— Number of shares	Nov. 20	738,900	684,170	606,320	582,920
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	Nov. 20	833,500	745,430	661,920	947,950
Other sales	Nov. 20	17,098,380	16,195,860	13,772,620	20,989,220
Total sales	Nov. 20	17,931,880	16,941,290	14,434,500	21,937,170
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Dec. 8	119.0	118.9	119.2	119.0
Farm products	Dec. 8	85.3	84.9	86.4	90.1
Processed foods	Dec. 8	105.3	105.2	105.7	108.7
Meats	Dec. 8	89.4	89.7	92.7	102.1
All commodities other than farm and foods	Dec. 8	128.6	128.6	128.7	127.0

*Revised figure. †Includes 949,000 barrels of foreign crude runs. §Based on new annual capacity of 147,633,670 tons as of Jan. 1, 1959, as against Jan. 1, 1958 basis of 140,742,570 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
AMERICAN GAS ASSOCIATION—For month of September:			
Total gas sales (M therms)	5,500,500	5,526,100	5,016,200
Natural gas sales (M therms)	5,409,000	5,439,200	4,918,500
Manufact'd & mixed gas sales (M therms)	91,500	86,900	97,700
AMERICAN ZINC INSTITUTE, INC.—Month of November:			
Slab zinc smelter output all grades (tons of 2,000 pounds)	62,346	63,938	65,174
Shipments (tons of 2,000 pounds)	77,440	65,723	83,606
Stocks at end of period (tons)	176,157	191,251	191,744
CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS—U. S. DEPT. OF COMMERCE — Month of October (000's omitted)	$833,200	*$1,884,600	$819,500
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—REVISED SERIES—Estimated short and intermediate term credit in millions as of October 31:			
Total consumer credit	$49,872	$49,350	$43,696
Instalment credit	38,421	37,962	33,232
Automobile	16,659	16,470	14,254
Other consumer goods	9,534	9,390	8,345
Repairs and modernization loans	2,653	2,613	2,298
Personal loans	9,575	9,489	9,335
Noninstalment credit	11,451	11,388	10,464
Single payment loans	4,050	4,084	3,512
Charge accounts	4,525	4,390	4,299
Service credit	2,876	2,914	2,653
COTTON AND LINTERS—DEPARTMENT OF COMMERCE—RUNNING BALES:			
Consumed month of October	732,245	862,830	839,122
In consuming establishments as of Oct. 31	976,310	744,865	1,348,557
In public storage as of Oct. 31	12,468,410	9,758,383	10,316,646
Linters—Consumed month of October	115,349	139,973	104,271
Stocks Oct. 31	497,077	442,222	779,082
Cotton spindles active as of Oct. 31	17,648,000	17,652,000	17,650,000
COTTON PRODUCTION (DEPT. OF COMMERCE): (running bales) as of Dec. 1	14,701,000	14,801,000	11,435,323
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of October:			
Cotton Seed—			
Received at mills (tons)	1,832,200	*1,123,100	1,643,020
Crushed (tons)	782,200	501,100	712,407
Stocks (tons) Oct. 31	1,937,500	887,500	1,437,455
Cake and Meal—			
Stocks (tons) Oct. 31	110,800	97,000	116,105
Produced (tons)	361,800	226,900	329,102
Stocks (tons)	348,000	217,700	284,212
Hulls—			
Stocks (tons) Oct. 31	66,800	43,100	121,677
Produced (bales)	172,000	112,200	160,223
Shipped (tons)	148,300	102,200	128,972
Linters—			
Stocks (bales) Oct. 31	184,400	134,800	212,371
Produced (bales)	239,700	*153,600	217,118
Shipped (bales)	190,100	*128,100	152,673
DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM—1947-49 Average = 100—Month of November:			
Adjusted for seasonal variation	145	144	137
Without seasonal adjustment	177	*150	166
EDISON ELECTRIC INSTITUTE—			
Kilowatt-hour sales to ultimate consumers—Month of September (000's omitted)	54,078,612	53,658,261	49,233,267
Revenue from ultimate customers—Month of September	$921,510,000	$906,896,000	$840,944,000
Number of ultimate customers at Sept. 30	57,223,930	57,037,919	55,930,887
MOODY'S WEIGHTED AVERAGE YIELD 100 COMMON STOCKS—Month of Nov.:			
Industrials (125)	3.16	3.14	3.34
Railroads (25)	5.09	4.95	4.61
Utilities (not incl. Amer. Tel. & Tel.) (214)	4.04	4.01	4.05
Banks (15)	3.57	3.70	4.09
Insurance (10)	2.83	3.03	2.68
Average (200)	3.38	3.36	3.54
PORTLAND CEMENT (BUREAU OF MINES)—Month of October:			
Production (barrels)	31,127,000	32,590,000	32,847,000
Shipments from mills (barrels)	32,282,000	35,098,000	36,615,000
Stocks at end of month (barrels)	23,912,000	25,341,000	20,415,000
Capacity used (per cent)	89	97	98
RAILROAD EARNINGS CLASS I ROADS (ASSOCIATION OF AMERICAN RRs.)—Month of October:			
Total operating revenues	$808,291,666	$769,210,827	$903,142,822
Total operating expenses	625,821,487	615,148,300	651,224,849
Taxes	87,023,602	81,833,433	108,921,065
Net railway operating income before charges	67,091,965	45,780,612	114,836,481
Net income after charges (estimated)	50,000,000	30,000,000	97,000,000
RUBBER MANUFACTURING ASSOCIATION INC.—Month of October:			
Passenger Tires (Number of)—			
Shipments	8,722,325	7,850,220	6,972,137
Production	9,374,262	8,803,572	7,982,594
Inventory	20,287,143	19,635,978	17,134,475
Truck and Bus Tires (Number of)—			
Shipments	1,546,549	1,447,954	1,481,780
Production	1,509,721	1,229,214	1,361,468
Inventories	2,863,611	2,905,918	2,778,714
Tractor Implement Tires (Number of)—			
Shipments	267,364	315,745	317,992
Production	320,264	316,131	347,888
Inventory	919,674	854,017	713,997
Passenger Motorcycle, Truck and Bus Inner-Tubes (Number of)—			
Shipments	3,915,470	3,692,581	3,566,665
Production	4,391,930	4,064,885	3,767,846
Inventory	9,088,222	8,334,261	7,869,030
Tread Rubber (Camelback)—			
Shipments (pounds)	53,856,000	44,055,000	53,238,000
Production (pounds)	49,653,000	44,929,000	49,952,000
Inventory (pounds)	28,841,000	33,502,000	29,226,000
U. S. GOVT. STATUTORY DEBT LIMITATION—As of Nov. 30 (000's omitted):			
Total face amount that may be outstanding at any time	$295,000,000	$295,000,000	$288,000,000
Outstanding—			
Total gross public debt	290,588,827	291,253,000	283,059,927
Guaranteed obligations not owned by the Treasury	124,471	118,471	107,105
Total gross public debt and guaranteed obligations	$290,713,299	$291,371,521	$283,167,033
Deduct—other outstanding public debt obligations not subject to debt limitation	412,708	413,363	425,588
Grand total outstanding	$290,300,590	$290,958,158	$282,741,444
Balance face amount of obligations issuable under above authority	4,699,409	4,041,841	5,258,555
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of Nov. 30	$290,713,299	$291,371,521	$283,167,033
General funds balance	4,968,027	6,375,951	6,524,998
Net debt	$285,745,272	$284,995,570	$276,642,035
Computed annual rate	3.260%	3.194%	2.679%

STATE OF TRADE AND INDUSTRY

Continued from page 12

Thanksgiving Day Holiday during the earlier week.

These findings are based on the weekly survey of 34 metropolitan areas conducted by the ATA Research Department. The report reflects tonnage handled at more than 400 truck terminals of common carriers of general freight throughout the country.

Electric Output 5.3% Above 1958 Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Dec. 12, was estimated at 14,167,000,000 kwh., according to the Edison Electric Institute. Output was 260,000,000 kwh. above that of the previous week's total of 13,907,000,000 kwh. and showed a gain of 717,000,000 kwh., or 5.3% above that of the comparable 1958 week.

Lumber Shipments 2.3% Above 1958 Week

Lumber shipments of 469 mills reporting to the National Lumber Trade Barometer were 8.7% below production for the week ended Dec. 5, 1959. In the same week new orders of these mills were 6.7% above production. Unfilled orders of reporting mills amounted to 34% of gross stocks. For reporting softwood mills, unfilled orders were equivalent to 17 days' production at the current rate, and gross stocks were equivalent to 47 days' production.

For the year-to-date, shipments of reporting identical mills were 1.0% below production; new orders were 1.3% below production.

Compared with the previous (holiday) week ended Nov. 28, 1959, production of reporting mills was 16.5% above; shipments were 24.4% above; new orders were 31.9% above. Compared with the corresponding week in 1958, production of reporting mills was 12.9% above; shipments were 2.3% below; and new orders were 11.2% above.

Business Failures Continue To Decline

Commercial and industrial failures continued to decline for the third consecutive week, falling to 248 in the week ended Dec. 10 from 261 in the preceding week, reported Dun & Bradstreet, Inc. Casualties were moderately lower than in the comparable week a year ago when 267 occurred or in 1957 when there were 269. Also, an 8% decrease was noted from the pre-war level of 270 in 1939.

Geographically, all of the downturn during the week was concentrated in four regions: the New England, Middle Atlantic, Mountain, and Pacific States. The toll in the Middle Atlantic dropped to 70 from 86, and in the Pacific to 63 from 74. Among the regions reporting increases from last week, the most noticeable rise occurred in the East North Central States, up to 43 from 31. Comparisons with 1958 levels show lower tolls in four regions, with the Middle and South Atlantic States having the sharpest declines from a year ago. On the other hand, increases prevailed in four regions and one region reported no change.

Wholesale Food Price Index Down Moderately From Prior Week

There was a moderate decline in the Wholesale Food Price Index, compiled by Dun & Bradstreet, Inc., this week. On Dec. 8, it stood at $5.88, for a decrease of 0.7% from the prior week's $5.92, and a decline of 7.8% from the $6.38 of the corresponding date of a year ago.

The Index represents the sum total of the price per pound of 31 raw foodstuffs and meat in general use. It is not a cost-of-living index. Its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Down Noticeably in Latest Week

Reflecting price declines on lard, coffee, sugar, butter, hogs, rubber, and steel scrap, the general commodity price level fell noticeably in the latest week. The Daily Wholesale Commodity Price Index, compiled by Dun & Bradstreet, Inc., stood at 274.52 (1930-32=100) on Dec. 14, compared with 276.06 a week earlier and 274.70 on the corresponding date a year ago.

Price movements in grain markets were mixed during the week. Although buying by mills and export purchases in wheat lagged, prices remained close to the prior week. Country marketings of corn were light, but trading picked up at the end of the week and prices finished slightly higher.

There was a marked decline in rye prices during the week as transactions dipped. Although volume in oats was sluggish, offerings were down and prices finished fractionally higher. Soybeans prices fell considerably at the end of the period stimulating trading at that time when the largest volume in several weeks changed hands. Wholesalers reported a sharp rise in soybeans inspected for export.

There was some scattered buying of flour this week, but prices were unchanged from a week earlier. Except for some sales to Pakistan, export buying of flour lagged. Both domestic and export buying of rice expanded substantially boosting prices somewhat over the preceding week.

Sales of sugar declined and prices fell somewhat. Coffee prices were fractionally lower as transactions decreased towards the end of the week. Influenced by heavy shipments of cocoa beans en route to the United States, cocoa prices dipped moderately from the preceding week. Arrivals to the United States for the year to date came to 3,148,823 bags, compared with 2,663,995 in the similar period last year.

Hog trading during the week was sluggish and prices were appreciably lower; hog receipts in Chicago were close to the preceding week. Prices on steers remained close to a week earlier, despite an increase in receipts and trading. Lamb prices were unchanged, although the salable supply was up and trading was steady.

Prices on the New York Cotton Exchange rose moderately this week as trading moved up and favorable reports were received from the textile market. Exports of United State cotton for the current season through Dec. 8 amounted to 1,381,000 bales, compared with 1,018,000 in the comparable period a year ago.

Christmas Shopping Still Over Last Year

Christmas shopping was sustained at a high level this week, and over-all retail trade remained moderately over a year ago. The most noticeable year-to-year gains occurred in women's gift apparel toys, television sets, furniture and household gifts. Scattered reports indicate that sales of new passenger cars showed little improvement from the prior week due to continued shortages in showrooms, and volume was below a year ago.

The total dollar volume of retail trade in the week ended Dec. 9 was 1 to 5% higher than a year ago, according to spot estimates collected by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1958 levels by the following percentages: East South Central +4 to +8; Mountain +3 to +7; Middle Atlantic, East North Central, and South Atlantic +1 to +5; West North Central and West South Central 0 to +4; New England −1 to +3; Pacific Coast −2 to +2.

Nationwide Department Store Sales Up 2% for Dec. 5 Week

Department store sales on a country-wide basis as taken from the Federal Reserve Board's Index for the week ended Dec. 5 increased 2% above the like period last year. In the preceding week, for Nov. 28, an increase of 3% was reported. For the four weeks ended Dec. 5 a 4% increase was registered and for Jan. 1 to Dec. 5 a 7% increase was noted.

According to the Federal Reserve System department store sales in New York City for the week ended Dec. 5 increased 4% over the like period last year. In the preceding week ended Nov. 28 a 4% increase was shown. For the four weeks ended Dec. 5 a 5% increase was reported over the 1958 period. Jan. 1 to Dec. 5 showed a 3% increase.

The Security I Like Best . . .

Continued from page 2

deposits. PPG has built its basic chemical operations on these very same raw materials. It is one of the largest producers of soda ash; it supplies its own alkali requirements for glass, and it even generates part of its large power needs for the electrolytic production of chlorine.

Through Columbia-Southern Chemical, a wholly-owned subsidiary, PPG derives about 20% of its total sales. This chemical subsidiary, with four chlorine plants, has kept its capacity in line with the growth of the industry which is about 10% annually. It also has two soda ash facilities aggregating 840,000 tons annual capacity, making it the second largest producer of soda ash in the country. Columbia-Southern is building a new cement plant designed to produce 1,500,000 barrels of cement annually which is scheduled to begin operation in early 1960. PPG already owns a 3,000,000 barrel cement plant which probably accounts for about $10 million in sales.

Pittsburgh Plate Glass, presently doing an estimated $120-$125 million of business in paints, should continue to share fully in the paint industry's favorable long-term outlook. Although one of the smaller factors in the paint industry when compared to the likes of Sherwin Williams, National Lead and du Pont, PPG is a significant factor in industrial finishes which make up 60%-65% of its paint sales. The company's large and established network of wholesale and retail distribution points is an important factor in its paint volume.

The company and its wholly-owned subsidiaries maintain 451 units: 47 manufacturing plants, 374 merchandising branches and stores, 25 sales offices and five research units. In addition it has substantial interests in Southern Minerals Corporation and Southern Petroleum Corporation, producers and transporters of crude oil and natural gas; Duplate Canada Limited, principally a fabricator of automotive glass; Pittsburgh Corning Corporation, manufacturer of glass blocks and "Foamglas" insulation; Koppers Pittsburgh Company, maker of chemicals for paints; and Columbia-National Corporation, producer of zirconium metal. Pittsburgh Plate also has interests in several European and Central and South American paint, glass, and chemical concerns.

During 1958, approximately $40.1 million was spent for additions and betterments compared with expenditures of $64 million in 1957. The company has had a traditionally strong financial position and its large plant program has been financed principally from internal funds and without recourse to equity financing. An example of PPG's well balanced financial policy may be found in the 13-year expansion program through 1958 which indicates that some $425 million (41% spent in the last three years) was invested for improvement, enlargement, and replacement of facilities. During this span, retained earnings equalled $250 million and the combined total of depreciation plus retained earnings was more than sufficient to provide for the capital expenditures during this period.

The company has had a relatively good record of sales and earnings return. Except for 1957 and 1958, when the sharp business recession persisted and a four-month strike in the glass division hampered operations, sales per dollar of average gross plant have been around $1.50. With plant start-up costs tapering off and the benefits of recent capital outlays becoming significant in 1960, the return on invested capital should recover sharply from the depressed 1958 showing, possibly to the 15% level.

In the 12-year period through 1957, Pittsburgh Plate's total sales have been in a sharp upward trend, rising from $184.7 million in 1946 to a record $620.8 million, a gain of 236%. The earnings improvement during the same period was just as spectacular, rising from $1.83 a share in 1946 to $5.86 in 1957, despite an increase in depreciation and depletion charges from $5 million to $27 million and a rise in maintenance and repairs from $10 million to $43.5 million. The 1957-58 recession and the strike at PPG's glass plants dimmed 1958 results — sales declined to $513.6 million and per share earnings fell to $3.24.

Following settlement of the Glass Division's 134-day strike last February, Pittsburgh Plate's overall results have rebounded significantly. For the first nine months of 1959, sales rose to $446.2 million, as compared with $400.6 million for the same period of 1958. This represents a sales increase of $45.6 million, or 11% for the first three quarters. Net income for the nine months ended Sept. 30, 1959, advanced to $34.1 million, or $3.44 a share, compared with $24.8 million, or $2.50 a share in the corresponding year earlier period. For the full year 1959, PPG's sales are estimated at better than $550 million and earnings should be in the neighborhood of $4.50 a share.

Looking ahead to 1960, it has the makings of becoming a banner year for the company. With auto production estimated at 6.5 to 7 million units and the trend towards glass-clad buildings gaining momentum, Pittsburgh Plate's volume should surpass the record $620.8 million of 1957, with profits showing a commensurate gain to around $6.50 to $7.00 a share. Chemical, paint and cement sales should score gains, and the 50% increase in productive capacity at the fiber glass plant will contribute to the improvement.

Dividends paid since 1899, have averaged 50% of 1949-1958 available earnings. The current indicated disbursement is $0.55 quarterly, with a 2% stock extra payable Dec. 21, 1959. With 1960 earnings expected to exceed the record $6.26 a share of 1955, some liberalization of the present dividend rate is a distinct possibility.

At prevailing levels, the common shares of the Pittsburgh Plate Glass Company constitute a highly attractive investment value with the promise that the past steady growth coupled with the enlarged scope of activities provide an excellent basis for material enhancement of earning power in future years. Furthermore, based on projected earnings for 1960, the current price-earnings ratio of approximately 12 appears unduly low for a growth equity so well represented in institutional and investment accounts.

Now With Edw. D. Jones

(Special to The Financial Chronicle)

PUEBLO, Colo.—Donald C. Cozzetti has become connected with Edward D. Jones & Co., of St. Louis. He was formerly with Boettcher and Co.

DIVIDEND NOTICES

WASHINGTON AND YOU

BEHIND-THE-SCENES INTERPRETATIONS FROM THE NATION'S CAPITAL

WASHINGTON, D. C.—There is practically a continuous 600-mile urban area along the Eastern Seaboard region from South of Alexandria, Va., to Portland, Maine.

This area of course takes in Greater Washington, D. C.; Baltimore, Philadelphia and the great Metropolitan New York area. The region has been described as comprising about 2% of the land area of the United States, but the total population living therein constitutes more than 20% of the Nation.

There are other great urban or interurban areas that are being linked up across the land, including Los Angeles to San Diego; Chicago to Milwaukee and Chicago to South Bend, Ind.; and the Pittsburgh area for scores of miles in either direction, to name a few.

The population is really "exploding." Obviously, more and more interurbia areas are going to be linked up such as Mobile to New Orleans to Baton Rouge, and from Fort Worth and Dallas, which has practically taken place in this Texas area already. There are other interurbia areas in scattered sections of the country, of course.

The Bureau of the Budget a few days ago issued its final population reports on population estimates before the actual nose count starts next April. The Bureau is getting all set for the big decennial census which will be the biggest single undertaking yet by the agency.

Population Trends

In advance of the census, the new estimates of population, as of July 1, 1958, presents some rather startling figures about the phenomenal growth that is taking place. There is little wonder that land prices are gradually increasing in nearly every section. The prices appear destined to continue upward for sometime.

The new official estimates issued by Robert W. Burgess, Director of the Bureau of the Census, shows that the Western States are growing most rapidly, the Northeastern States most slowly. The Western population increased about 29%, or nearly twice the national average of 15% from April, 1950 to July, 1958.

The North Central States, however, outgrew the other regions in absolute gain, with an increase of about 6,600,000 for the 8½-year period. Of the four regions, the Northeast, with an increase of about 3,800,000, or 10%, had both the smallest, absolute and relative gains.

Gains by States

From a percentage standpoint Arizona and Nevada—the latter the Nation's smallest in population—had estimated increases in excess of 50%. California, the State with the greatest absolute gain since 1950, chalked up a 35% gain; New Mexico, 26%; and Utah and Colorado each with 25%.

Florida, with a gain of 63%, is by far the fastest growing State in the South. An increase of 1,744,000 people marks the Florida growth. Today the peninsula State has an estimated 4,515,000 people, more for example than Missouri with its great cities of St. Louis and Kansas City.

In addition to Florida, six other states had gains of 1,000,000 persons or more. The leader of them all by a wide margin was golden California where more people in the United States apparently want to live than in any of the 50 states. California gained 3,698,000 which is more than the total population of the average state.

Texas rolled up a gain of 1,613,000; Ohio, 1,587,000; New York, 1,483,000; Michigan, 1,458,000; Illinois, 1,288,000. Increases ranging between 500,000 and 1,000,000 were recorded in New Jersey, Pennsylvania, Indiana, Maryland, Virginia and Wisconsin.

Rhode Island, the nation's smallest state in land area, has an estimated total population of 865,000, an increase of about 73,000 since the 1950 official census. Delaware, small in land area with nearly half of its population concentrated in the Wilmington area, rolled up a 40% gain, and Maryland, 26%.

The Census Bureau estimates that the population of metropolitan Washington is about 2,100,000. However, in the District of Columbia proper, the population is only 828,000, a gain of only 26,000 since 1950.

Washington proper has become one of the largest centers of members of the Negro race in North America. Approximately 70% of the public school children in the District of Columbia are of the Negro race. This is more than other large cities in the South like New Orleans, Atlanta, Birmingham and Memphis.

The Bureau of the Census says that our two newest states, Alaska and Hawaii, had growth rates well above average, 49% and 26%, respectively, since the 1950 census.

Farm States Losing Ground

It was apparent that the "Farm States" like Iowa and Nebraska are not keeping pace with the national average growth of about 15% since 1960. Iowa's population was estimated at 2,781,000, a gain of 6.1%, which means that Iowa will lose a seat in the National House of Representatives. Nebraska's gain of 109,000, an increase of 8.2%, also means a loss of a seat.

Arkansas, Mississippi, West Virginia, and Vermont actually lost population and Oklahoma barely held its own. Arkansas was the heaviest loser of them all. It lost 159,000 people for a percentage loss of 8.3%. West Virginia, the Mountain State, with its coal mines, among other industries, lost an estimated 41,000; Mississippi, an agricultural state, 22,000; and Vermont, 6,000.

Puerto Rico's growth rate was only 5%, as a result of the fact that the natural increase was largely offset by net out-migration to the United States mainland.

Bureau's Technique

The Bureau in its reports explained in detail how it "scientifically" arrived at its estimates. Normally, the Bureau has made a good record in its estimates. The method involves, to use the agency's language: (1) estimating the civilian population on April 1, 1950; (2) adding to this civilian population an estimate of births for the period between the census and the estimate date; (3) subtracting an estimate of civilian deaths; (4) adding or subtracting an estimate of net civilian migration; (5) subtracting or adding an estimate of the net movement of civilians into the armed forces; and (6) adding an estimate of the number of persons in the armed forces stationed in the area on the estimate date.

The Bureau has not prepared recent estimates for Guam, the Virgin Islands of the United States, the Canal Zone, or the Trust Territory of the Pacific Islands. The annual censuses of Guam taken by the office of the Chief Commissioner for the Island showed 38,578 for 1958.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

"I said 'get some debentures' — not dentures, you idiot!"

COMING EVENTS

IN INVESTMENT FIELD

Jan. 15, 1960 (Baltimore, Md.)
Baltimore Security Traders Association 25th annual Mid-Winter Dinner.

Jan. 20, 1960 (Philadelphia, Pa.)
Philadelphia Securities Association annual meeting and dinner at the Hotel Barclay.

Jan. 25, 1960 (Chicago, Ill.)
Security Traders Association of Chicago, Inc. Mid-Winter Party at the Guild Room of the Ambassador West.

Feb. 1-2, 1960 (Dallas, Tex.)
Association of Stock Exchange Firms meeting of Board of Governors at Sheraton Dallas Hotel.

Feb. 3, 1960 (Detroit, Mich.)
Bond Club of Detroit annual winter party at Sheraton Cadillac Hotel.

April 6-7-8, 1960 (Dallas, Tex.)
Texas Group of Investment Bankers Association of America 25th annual meeting at the Sheraton Dallas.

(April 8, 1960 (New York City)
New York Security Dealers Association 34th annual dinner in the Grand Ballroom of the Hotel Biltmore.

May 9-10, 1960 (Atlanta, Ga.)
Association of Stock Exchange Firms meeting of Board of Governors at Hotel Atlanta Biltmore.

Sept. 12-13, 1960 (New York City)
Association of Stock Exchange Firms meeting of Board of Governors at Fisher's Island Club, Fisher's Island, N. Y.

Nov. 27-Dec. 2, 1960 (Hollywood Beach, Fla.)
Investment Bankers Association Annual Convention at Hollywood Beach Hotel.

Now Richard Gray Co.

Richard Gray is continuing his investment business from offices at 237 West 51st St., New York City, under the firm name of Richard Gray Co. A branch office is maintained at 529 Central Ave., Far Rockaway.

Businessman's BOOKSHELF

Consumer Credit Facts for You—Bureau of Business Research, Western Reserve University, Cleveland 6, Ohio (paper), 30¢ (quantity prices on request).

Estate Planning Quick Reference Outline—William R. Spinney—7th Edition—Commerce Clearing House, 4025 West Peterson Avenue, Chicago 46, Ill., $1.50.

Facts vs. Fallacies on Railroad Bargaining — Association of American Railroads, Transportation Building, Washington 6, D. C.

Introduction to General Electric—Booklet of information about the company — Investor Relations, General Electric Co., 570 Lexington Ave., Rm. 407, New York 22, N. Y. (on request).

North American Securities Administrators — Proceedings of the 42nd Annual Convention — North American Securities Administrators, E. J. Starkey, Secretary, 2000 Cadillac Square Building, Detroit 26, Mich. (paper).

Register of Defunct and Other Companies—Removed from the Stock Exchange [London]. Official Year Book 1959—Thomas Skinner & Co. (Publishers), Ltd., 111 Broadway, New York 6, N. Y., (cloth), 30 shillings.

Second Treasury of Contemporary Houses—Selected by the editors of Architectural Record—F. W. Dodge Corp., 119 West 40th St., New York 18, N. Y.

Stock Exchange [London] Official Year-Book 1959, Vol. II—Thomas Skinner & Co. (Publishers) Ltd., 111 Broadway, New York 6, N. Y.—In 2 volumes (not sold separately), $35.

World's Telephones—Statistics on the world's telephones — 1959 Edition — American Telephone & Telegraph Company, 195 Broadway, New York 76, N. Y. (paper).

Bache Appoints Toronto Managers

TORONTO, Canada — Allan G. Findley has been named resident manager and Arthur H. Ackerman associate manager of the Toronto office of the investment firm of Bache & Co., members of the Toronto Stock Exchange, the New York Stock Exchange, and other leading securities exchanges, it was announced yesterday.

E. Douglas Huycke and Ralph G. Henderson are the resident partners in the Toronto office which is located at 360 Bay St.

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CHRONICLE

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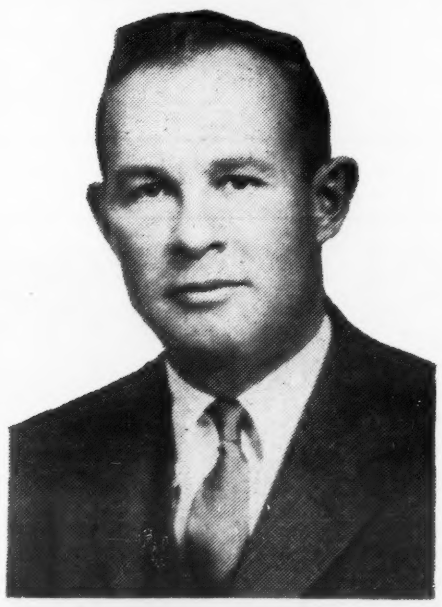

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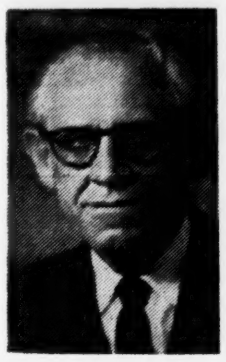

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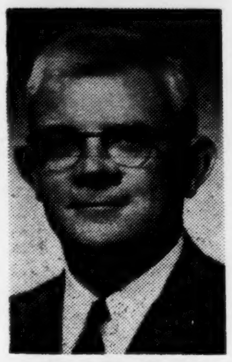

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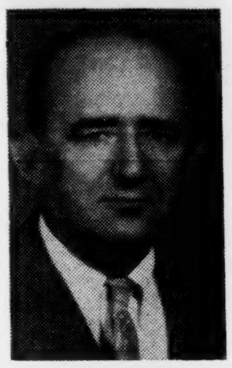

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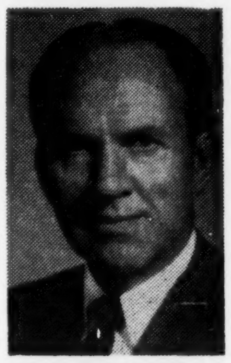

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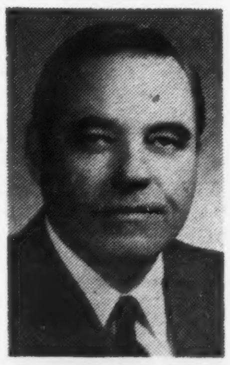

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Pictures Taken at the 1959 IBA Convention

At the Americana Hotel, Bal Harbour, Fla.

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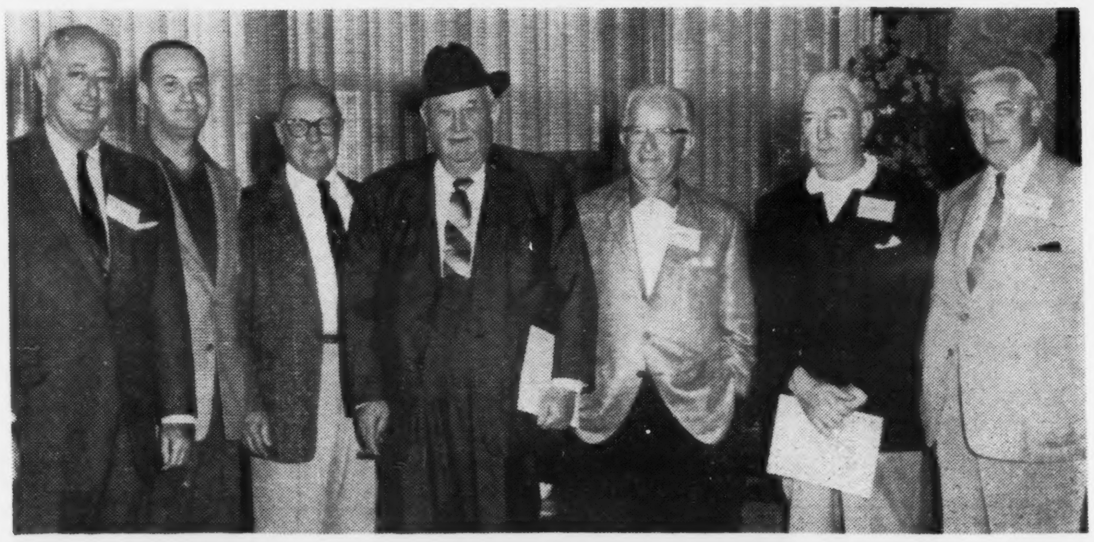

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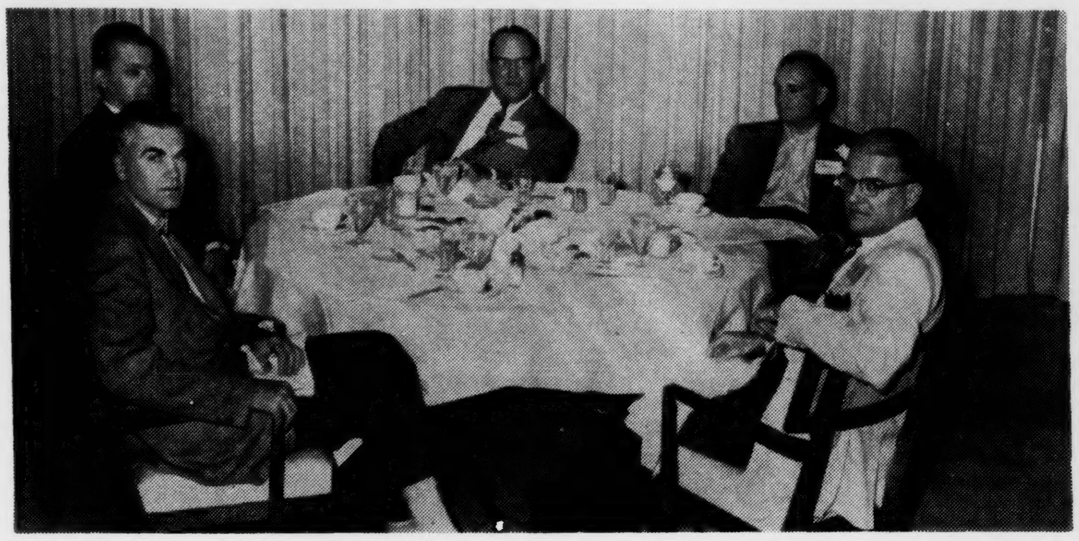

Oil & Natural Gas Securities Committee: Edmond N. Morse, *Smith, Barney & Co.*, New York City, Chairman

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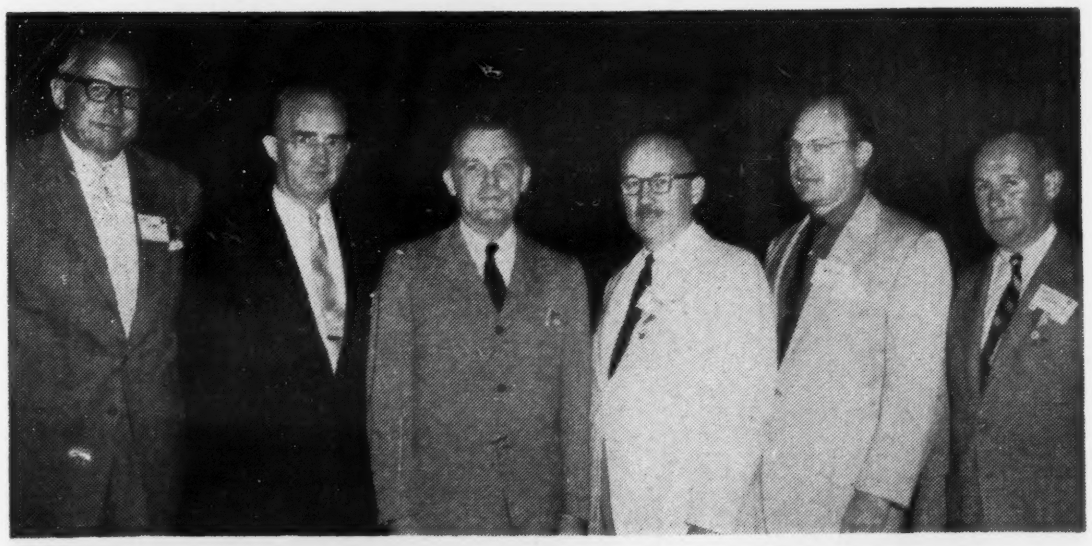
Invest in America Breakfast Meeting: George J. Otto, *Irving Lundborg & Co.*, San Francisco Chairman



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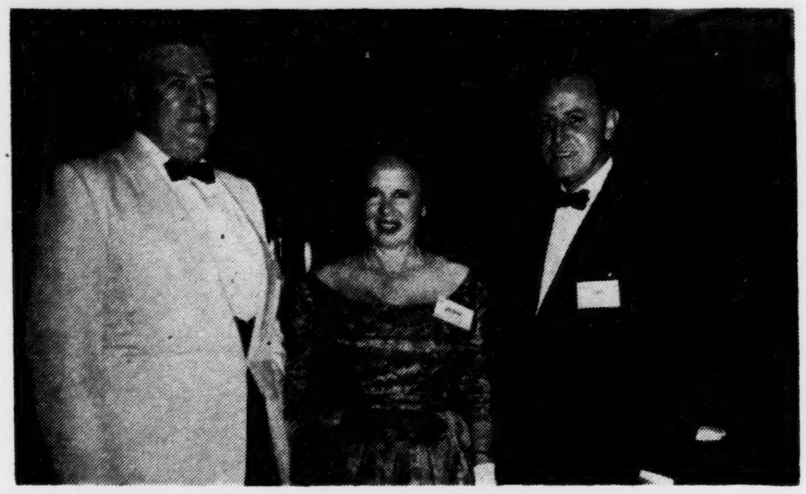
Al Purkiss, *Walston & Co., Inc.*, New York; Mr. & Mrs. Joseph Ludin, *Dillon, Read & Co., Inc.*, New York

Mrs. Frank Morse, New York

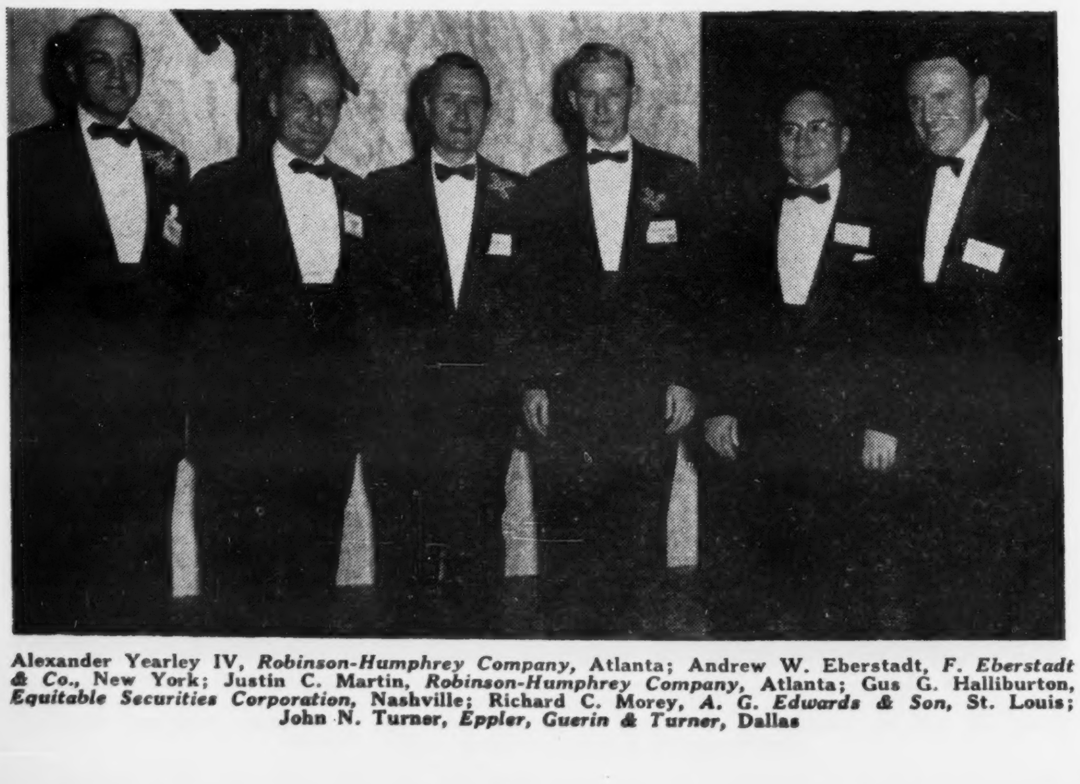
Mr. & Mrs. Stewart A. Dunn, *C. J. Devine & Co.*, New York; Jack Eagan, *First California Company, Incorporated*, San Francisco



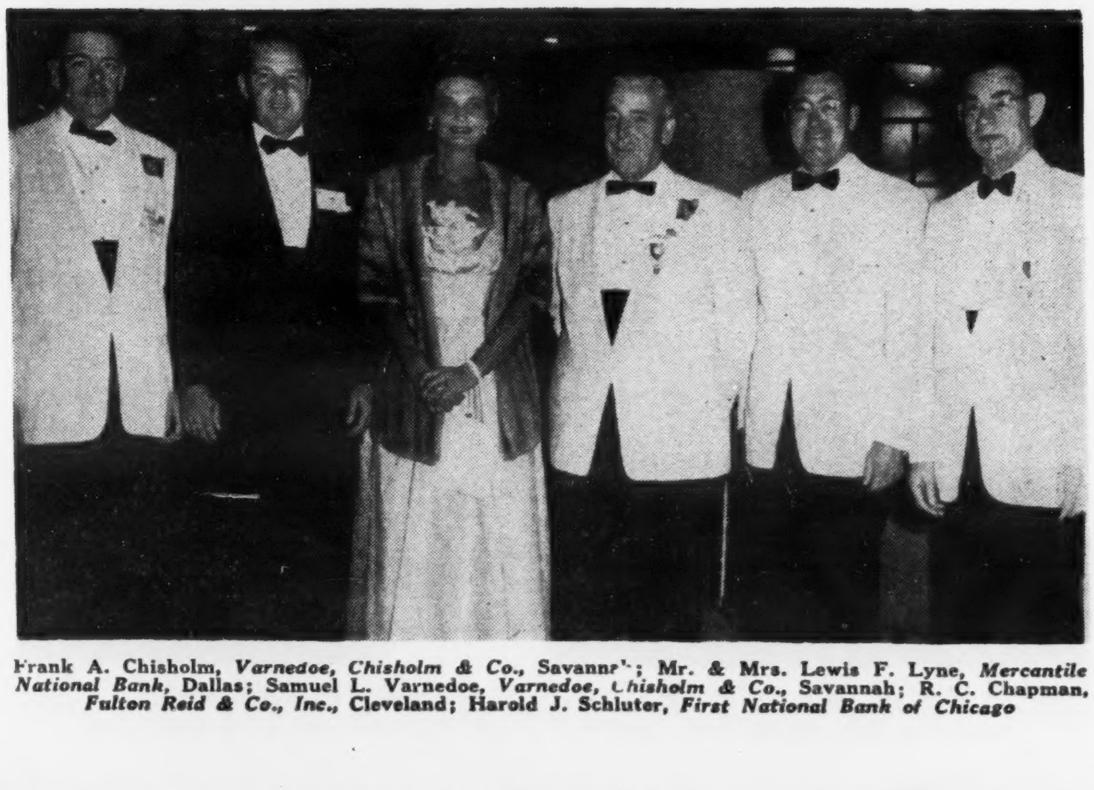
Mr. & Mrs. Alan K. Browne, *Bank of America, N. T. & S. A.*, San Francisco; MacBoyle Lewis, *Harris Trust & Savings Bank*, Chicago

Edward P. Prescott, *Prescott, Shepard & Co., Inc.*, Cleveland; Mrs. Robert O. Shepard, Cleveland; Hans A. Widenmann, *Carl M. Loeb, Rhoades & Co.*, New York; J. Howard Carlson, *Carl M. Loeb, Rhoades & Co.*, New York; John G. Butler, *Prescott, Shepard & Co., Inc.*, Cleveland; Mr. & Mrs. John R. Haire, *Hugh W. Long & Co. Inc.*, Elizabeth, N. J.

Edward Glassmeyer, *Blyth & Co., Inc.*, New York; John S. French, *A. C. Allyn & Co.*, New York; Mr. & Mrs. Paul Hanrahan, *Hanrahan & Co.*, Worcester, Mass.; Mr. & Mrs. J. Denny May, *Parker Corporation*, Washington, D. C.; Mr. & Mrs. Harold C. Patterson, *Securities & Exchange Commission*, Washington, D. C.



Alexander Yearley IV, *Robinson-Humphrey Company*, Atlanta; Andrew W. Eberstadt, *F. Eberstadt & Co.*, New York; Justin C. Martin, *Robinson-Humphrey Company*, Atlanta; Gus G. Halliburton, *Equitable Securities Corporation*, Nashville; Richard C. Morey, *A. G. Edwards & Son*, St. Louis; John N. Turner, *Eppler, Guerin & Turner*, Dallas



Frank A. Chisholm, *Varnedoe, Chisholm & Co.*, Savannah; Mr. & Mrs. Lewis F. Lyne, *Mercantile National Bank*, Dallas; Samuel L. Varnedoe, *Varnedoe, Chisholm & Co.*, Savannah; R. C. Chapman, *Fulton Reid & Co., Inc.*, Cleveland; Harold J. Schluter, *First National Bank of Chicago*

Federal Securities Acts Committee: Paul A. Conley, *Blyth & Co., Inc.*, New York, Chairman

Governmental Securities Committee: Robert B. Blyth, *National City Bank*, Cleveland, Chairman

Group Chairmen's Committee: Donald J. Harris, *Bache & Co.*, Chicago, Chairman

Industrial Securities Committee: Michael Pescatello, *First National City Bank*, New York, Chairman

Federal Taxation Committee, Breakfast Meeting: Walter Maynard, *Shearson, Hammill & Co.*, Chairman

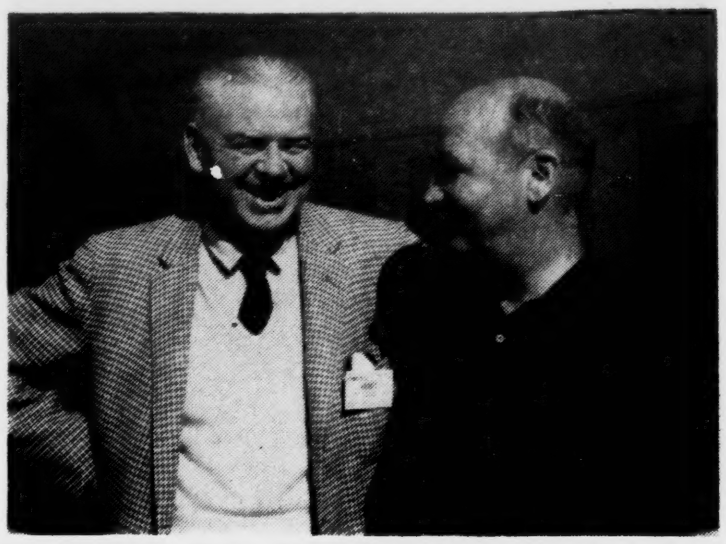
Charles F. Eaton, Jr., *Eaton & Howard, Inc.*, Boston; Herbert R. Anderson, *Distributors Group, Incorporated*, New York

Russell M. Colwell, *First National Bank of Oregon*, Portland, Oreg.; Maurice M. Hatcher, *First National Bank of Dallas*, Dallas; E. J. Altgelt, Jr., *Harris Trust & Savings Bank*, New York City; James W. Means, *First Southeastern Company*, Atlanta; Arthur C. McCall, *Alester G. Furman Co., Greenville, S. C.*; Delmont K. Pfeffer, *First National City Bank of New York*; J. B. Sanford, *White, Hattier & Sanford*, New Orleans

Mr. & Mrs. B. F. Houston, *Dallas Union Trust Company*, Dallas

William R. Caldwell, *First Boston Corporation*, New York; Mrs. Donald W. Moulton, Los Angeles

William W. Hibberd, *Trust Company of Georgia*, New York; R. George LeVind, *Blyth & Co., Inc.*, New York; Edward C. Anderson, *Anderson & Strudwick*, Richmond, Va.



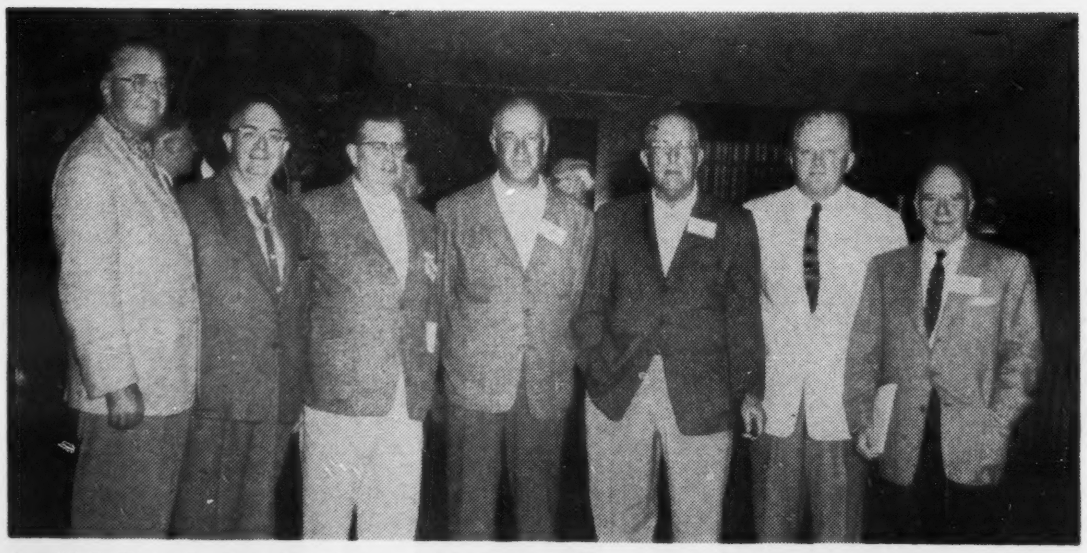
Kenneth Ebbitt, *Shelby Cullom Davis & Co.*, New York; David Callaway, *First of Michigan Corporation*, New York

Mr. & Mrs. Hal E. Murphy, *Commercial & Financial Chronicle*, New York; Mr. & Mrs. C. Barron Otis, *The Bond Buyer*, New York

Mr. & Mrs. Leo B. Babich, *Hill Richards & Co.*, Los Angeles; Walter V. Kennedy, *H. Hentz & Co.*, New York

State Legislation Committee: George A. Newton, *G. H. Walker & Co.*, St. Louis, Chairman

Mrs. G. Dalenz, New York; Mr. & Mrs. John Bunn, *Bioren & Co.*, Philadelphia



Arnold J. Kocurek, *Rauscher, Pierce & Co., Inc.*, San Antonio; Maurice B. Vick, *M. B. Vick & Co.*, Chicago; Charles A. Schoeneberger, *National Boulevard Bank*, Chicago; Paul O. Frederick, *Fahnestock & Co.*, New York; Herman B. Joseph, *Joseph, Mellen & Miller*, Cleveland; Paul L. Mullaney, *Mullaney, Wells & Co.*, Chicago; L. Raymond Billett, *McCormick & Co.*, Chicago

At breakfast: Charles McK. Lynch, *Moore, Leonard & Lynch*, Pittsburgh; William J. Lawlor, Jr., *Hornblower & Weeks*, Chicago; Robert Stevenson, III, *Investment Bankers Association*, Washington, D. C.; Curtis H. Bingham, *Bingham, Walter & Hurry*, Los Angeles; John P. Labouisse, *Howard, Weil, Labouisse, Friedrichs and Company*, New Orleans; Joseph Ludin, *Dillon, Read & Co., Inc.*, New York

Mr. & Mrs. P. Fred Fox, *P. F. Fox & Co., Inc.*, New York

Mr. & Mrs. George MacDonald, *McLeod, Young, Weir, Inc.*, New York; Mr. & Mrs. Rex Stevenson, *Nesbitt, Thomson & Co.*, New York; Andrew Beaubien, *L. G. Beaubien & Co.*, Montreal

Mr. & Mrs. William G. Simpson, *Simpson, Emery & Co.*, Pittsburgh

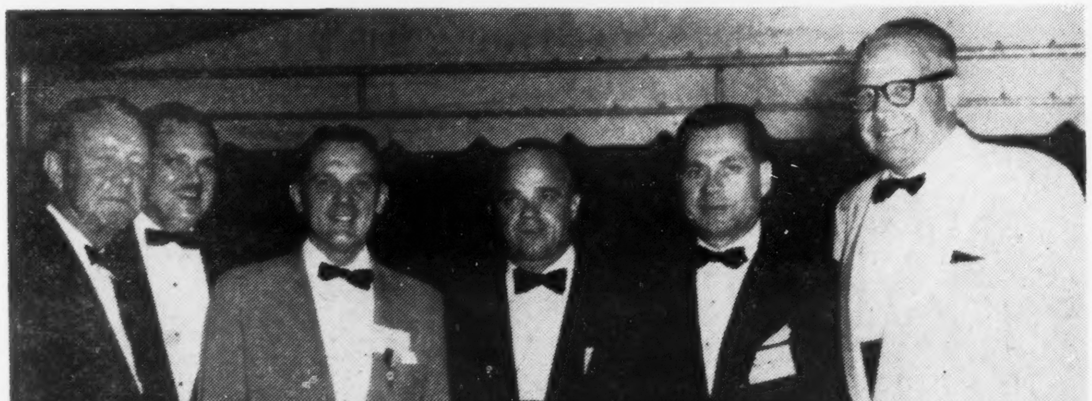
Hunter B. Grant, Jr., *Winslow, Cohu & Stetson, Inc.*, New York; Charles C. Pierce, *Rauscher, Pierce & Co., Inc.*, Dallas; Mr. & Mrs. W. Scott Cluett, *Harriman Ripley & Co. Incorporated*, New York

Mr. & Mrs. Graham Walker, *Dempsey-Tegeler & Co.*, New York; Mr. & Mrs. William R. Barrow, *Barrow, Leary & Co.*, Shreveport, La.

Mr. & Mrs. Arthur S. Friend, *Folger, Nolan, Fleming-W. B. Hibbs & Co.*, Washington, D. C.

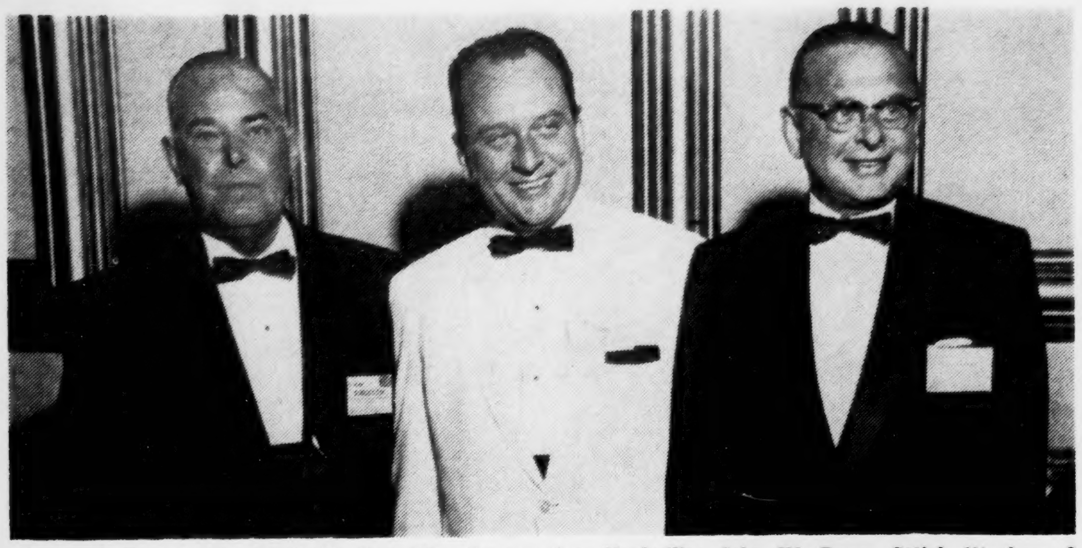
Mr. & Mrs. J. Bradley Green, *Morgan Guaranty Trust Company*, New York; Mr. & Mrs. R. E. Broome, *Morgan Guaranty Trust Company*, New York

Mr. & Mrs. William F. Machold, *Drexel & Co.*, Philadelphia



W. Carroll Mead, *Mead, Miller & Co.*, Baltimore; William C. Jackson, Jr., *First Southwest Company*, Dallas; James J. Lee, *W. E. Hutton & Co.*, New York; William D. Kerr, *Bacon, Whipple & Co.*, Chicago; Arthur L. Wadsworth, *Dillon, Read & Co., Inc.*, New York; Warren H. Crowell, *Crowell, Weedon & Co.*, Los Angeles

Mr. & Mrs. Victor H. Zahner, *Zahner and Company*, Kansas City, Mo.; John H. Crago, *Smith, Moore & Co.*, St. Louis; Ernest O. Dorbritz, *Moore, Leonard & Lynch*, Pittsburgh; J. W. Means, *First Southeastern Company*, Atlanta; Mr. & Mrs. William A. Noonan, Jr., *Continental Illinois National Bank*, Chicago



H. Frank Burkholder, *Equitable Securities Corporation*, Nashville; John W. Bunn, *Stifel, Nicolaus & Co., Incorporated*, St. Louis; Lester J. Thorsen, *Glore, Forgan & Co.*, Chicago (three former Presidents of National Security Traders Association)

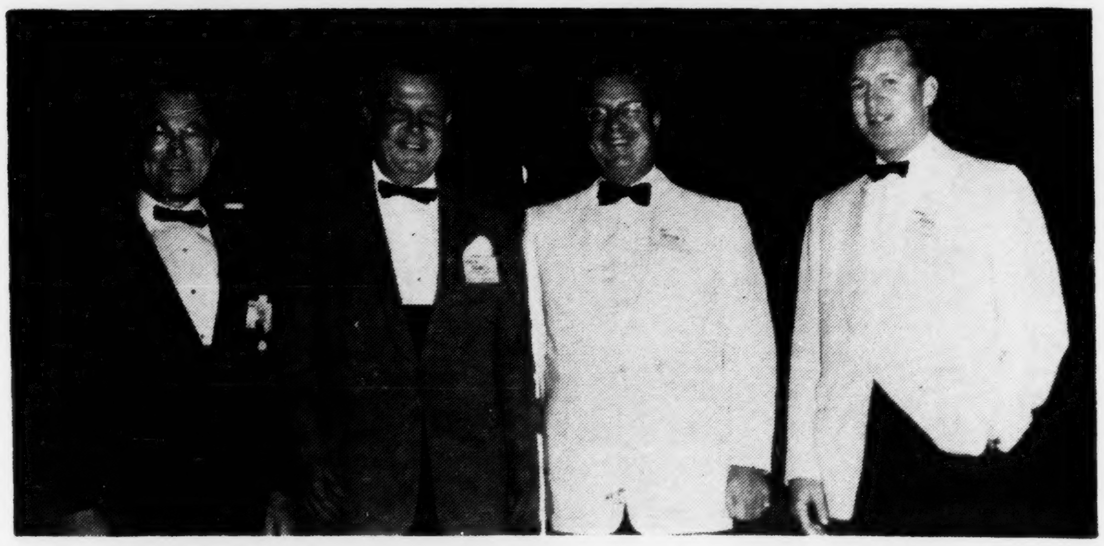
Mr. & Mrs. James R. Hendrix, *Hendrix & Mayes, Inc.*, Birmingham, Ala.; James E. Roddy, *Scharff & Jones, Inc.*, New Orleans; Mr. & Mrs. Charles E. Cady, *Cady & Co.*, Columbus, Miss.; Carr Payne, *Cumberland Securities Corporation*, Nashville

Mr. & Mrs. Frederic C. Beil, Jr., *Beil & Hough, Inc.*, St. Petersburg, Fla.

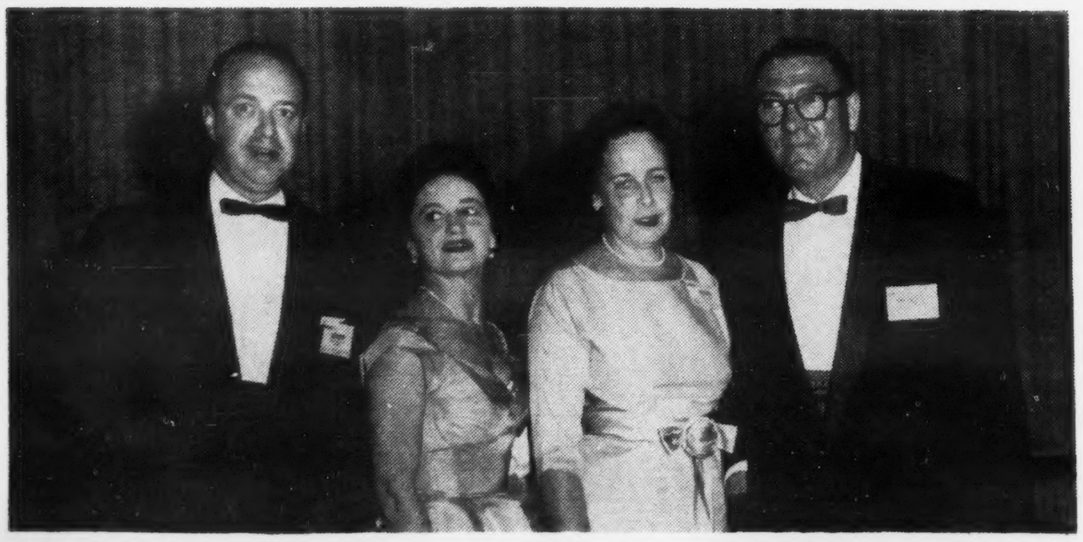
Mr. & Mrs. Benajmin B. McAlpin, 3rd, *Bache & Co.*, New York; Mr. & Mrs. Andrew W. Eberstadt, *F. Eberstadt & Co.*, New York

Mr. & Mrs. James H. Zilka, *Zilka, Smithers & Co., Inc.*, Portland, Oreg.

Mrs. Lockett Shelton, Dallas; George Kneass, *Philadelphia National Bank*, Philadelphia; Mrs. Delmont K. Pfeffer, New York; Mr. & Mrs. Pat Morris, *Northern Trust Company*, Chicago; Lockett Shelton, *Republic National Bank*, Dallas



Robert G. Rowe, *Stroud & Company, Incorporated*, Philadelphia; George W. Elkins, *Elkins, Morris, Stokes & Co.*, Philadelphia; S. Grey Dayton, Jr., *Elkins, Morris, Stokes & Co.*, Philadelphia; Lawrence L. Barroll, *Elkins, Morris, Stokes & Co.*, Philadelphia



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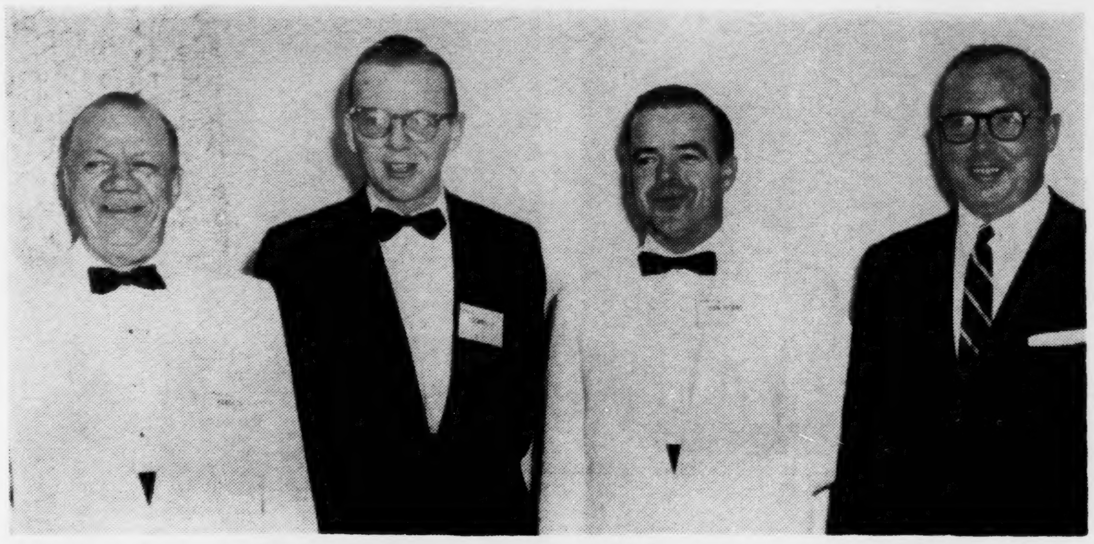
Mr. & Mrs. W. Wayne Glover, *California Bank*, Los Angeles; Mr. & Mrs. Egerton B. Vinson, *De Haven & Townsend, Crouter & Bodine*, New York



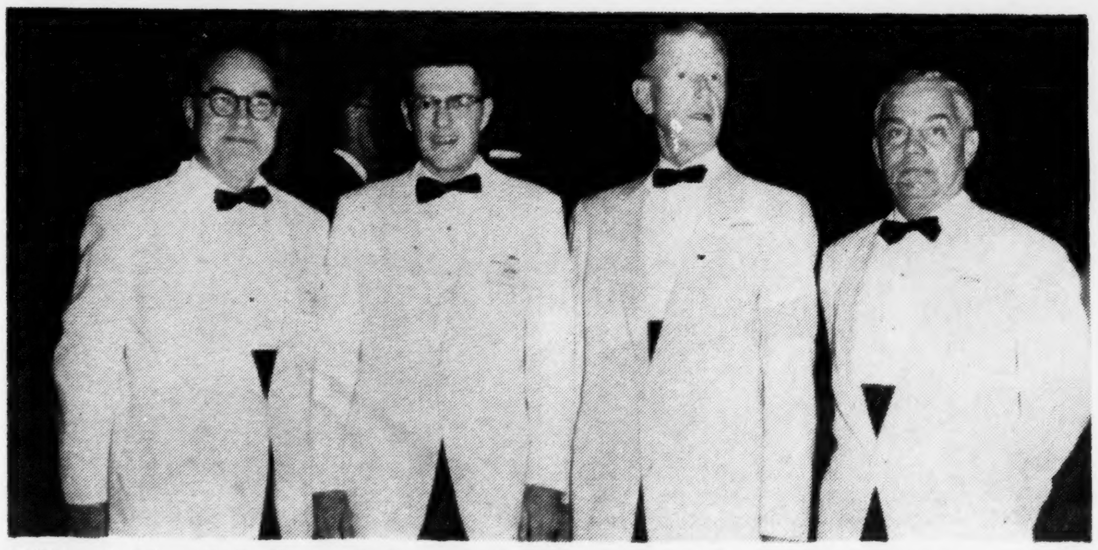
Edward K. Hardy, Jr., *The Illinois Company*, Chicago; John S. Loomis, Jr., *City National Bank*, Chicago; John E. Van Horne, *J. Cliff Rahel & Co.*, Omaha, Neb.; Richard H. De Bolt, *Robert F. Bell & Co.*, Miami Beach

Mr. & Mrs. Alan K. Browne, *Bank of America, N. T. & S. A.*, San Francisco; Mr. & Mrs. Donald C. Patterson, *Chemical Bank New York Trust Company;* Bernard J. Van Ingen, *B. J. Van Ingen & Co., Inc.*, New York

Mr. & Mrs. R. Michael Charters, *Association of Stock Exchange Firms*, New York

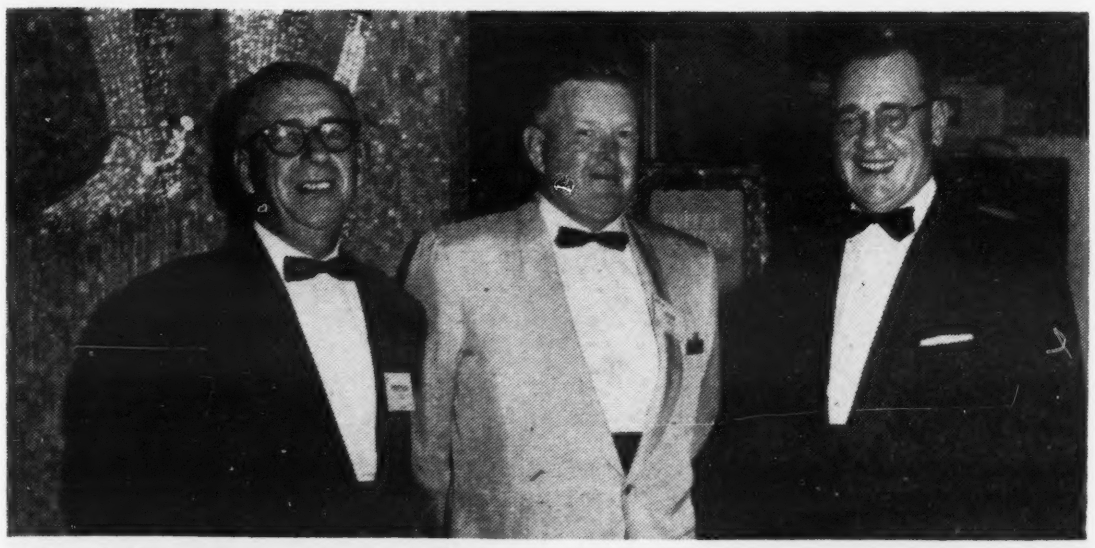
Mr. & Mrs. Alger Jacobs, *Crocker-Anglo National Bank*, San Francisco; Mr. & Mrs. William J. Falsey, *Chas. W. Scranton & Co.*, New Haven, Conn.

Mr. & Mrs. John L. Porter, Jr., *Television Shares Management Corporation*, Chicago



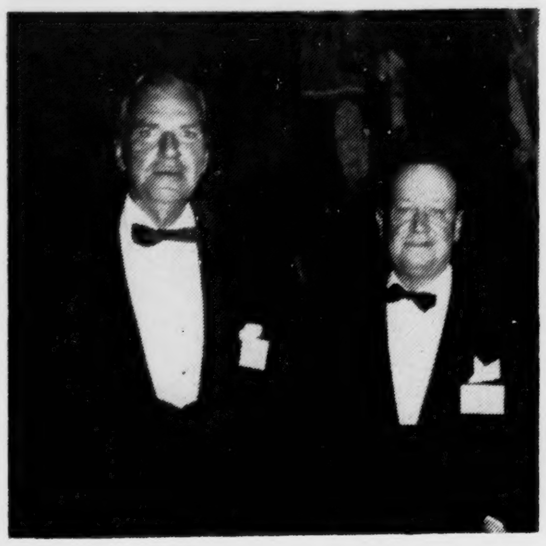
William J. Riley, *E. F. Hutton & Company*, New York; Joseph P. Short, *Arthurs, Lestrange & Co.*, Pittsburgh; Earle Gatchell, *Hayden, Stone & Co.*, New York; Donald W. Hayden, *Baumgartner, Downing & Co.*, Baltimore

Edward B. Wulbern, *Pierce, Carrison & Wulbern*, Jacksonville, Fla.; Coleman E. Trainor, *Peoples National Bank*, Charlottesville, Va.; Mr. & Mrs. Arthur F. Humphrey, Jr., *Hulme, Applegate & Humphrey*, Pittsburgh; Mr. & Mrs. William E. Simon, *Weeden & Co.*, New York City



Ted C. Henderson, *T. C. Henderson & Co.*, Des Moines; John W. Allyn, *A. C. Allyn & Co.*, Chicago; A. R. Hughes, *Lord Abbett & Co.*, New York

Mr. & Mrs. Arthur P. Quinn, *Quinn & Co.*, Albuquerque, N. Mex.; E. Jansen Hunt, *White, Weld & Co.*, New York


William H. Gregory, *Gregory & Sons*, New York; Hugh D. Carter, Jr., *Courts & Co.*, New York


Mr. & Mrs. John H. Brooks, *Putnam & Co.*, Hartford, Conn.; Mr. & Mrs. Scott Cluett, *Harriman Ripley & Co. Incorporated*, New York; Sidney Buford Scott, *Scott & Stringfellow*, Richmond, Va.


Mr. & Mrs. Donald Patterson, *Chemical Bank New York Trust Company*


Mr. & Mrs. Earl G. Fridley, *Fridley & Frederking*, Houston; John C. Hecht, *Dempsey-Tegeler & Co.*, Los Angeles; Mrs. Jerome F. Tegeler, St. Louis; Cy M. Murphy, *John C. Legg & Company*, New York

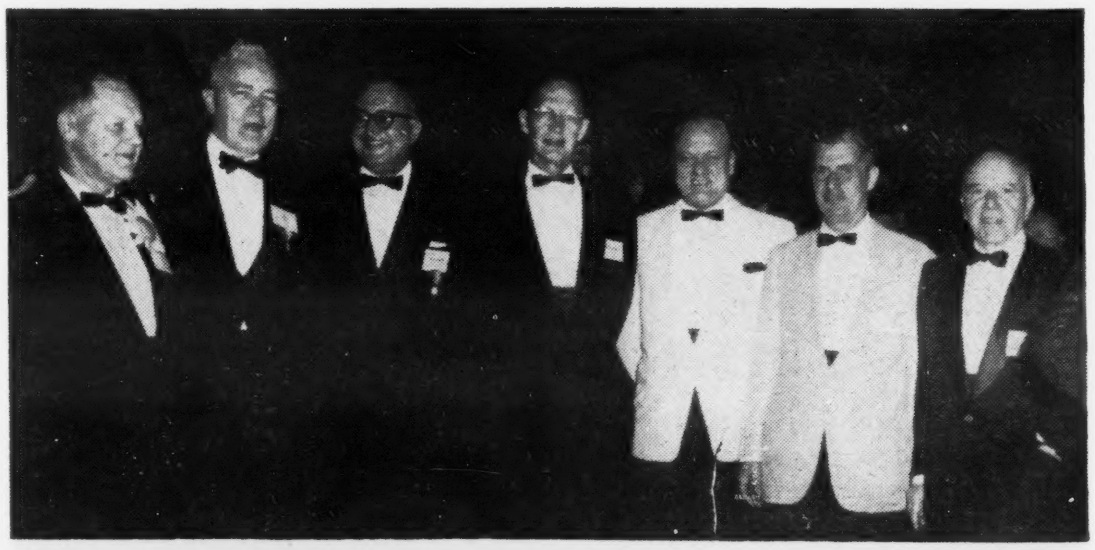

Mr. & Mrs. H. Leonard Flynn, *McDonald & Company*, Cleveland; Mr. & Mrs. Harris B. MacLaren, *McDonald & Company*, Cleveland; Francis P. Gallagher, *Kidder, Peabody & Co.*, New York

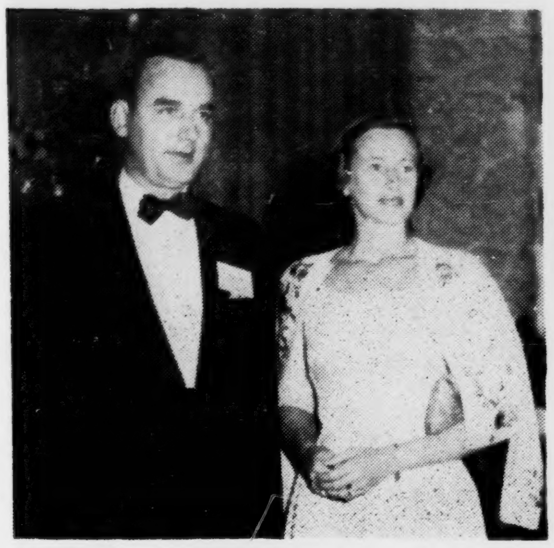

Mr. & Mrs. Middleton Rose, *Laird, Bissell & Meeds*, New York


Matthew J. Hickey III, *Hickey & Co.*, Chicago; Mr. & Mrs. Scott Davis, *Ralph W. Davis & Co.*, Chicago; Ora C. Roehl, *Keystone Company*, Boston; Henry F. Cate, Jr., *Keystone Company*, Boston


Mr. & Mrs. Kenneth A. Kerr, *E. F. Hutton & Company*, New York City


Mr. & Mrs. Henry L. Harris, *Goldman, Sachs & Co.*, New York; Janki Ganju, Indian Embassy, Washintgon, D. C.; Mr. & Mrs. Elliott Stein, *Scherck, Richter Company*, St. Louis, Mo.; John W. Bunn, *Stifel, Nicolaus & Co. Incorporated*, St. Louis; Mrs. Yvonne McVay, Indian Embassy, Washington, D. C.; Bertram S. Behrens, *Lehman Brothers*, New York

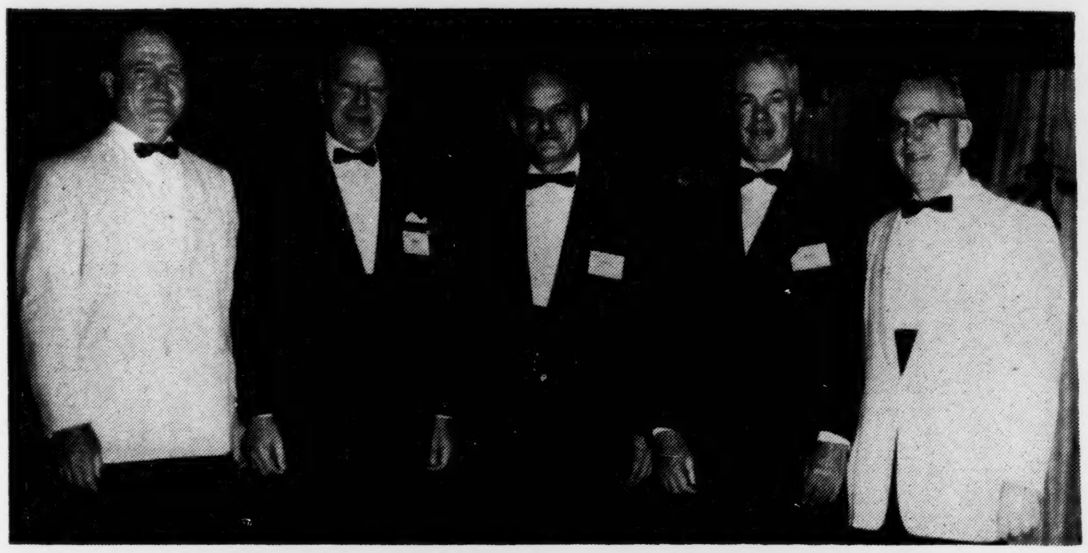

Newell S. Knight, *Mercantile Trust Company*, St. Louis; Leslie L. Fahey, *Fahey, Clark & Co.*, Cleveland; George E. Waldmann, *Mercantile Trust Company*, New York; William H. Watterson, *Fahey, Clark & Co.*, Cleveland; Arthur E. Goodwin, Jr., *Johnston, Lemon & Co.*, Washington, D. C.; Einer Nielsen, *J. C. Bradford & Co.*, Nashville, Tenn.; L. Raymond Billett, *McCormick & Co.*, *Chicago*



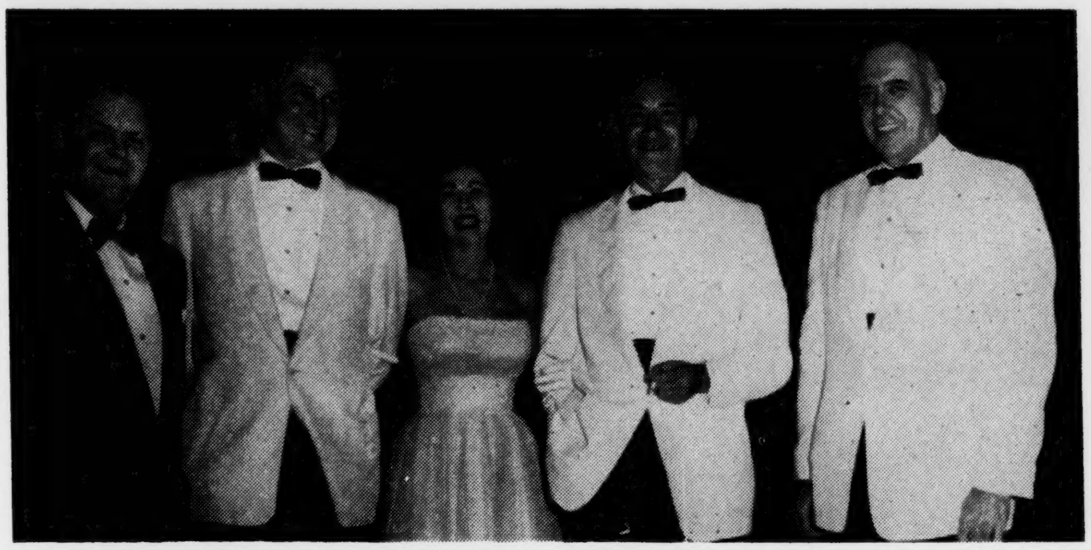
Mr. & Mrs. John J. Jackson, *Baker, Watts & Co.*, Baltimore

Mr. & Mrs. Robert M. Gardiner, *Reynolds & Co.*, New York; Avery Rockefeller, *Dominick & Dominick*, New York; Mrs. Jack O. Doerge, Cleveland; John F. Bryan, *Reynolds & Co.*, New York

Mr. & Mrs. Erwin Boehmler, *Investment Bankers Association of America*, Washington, D. C.

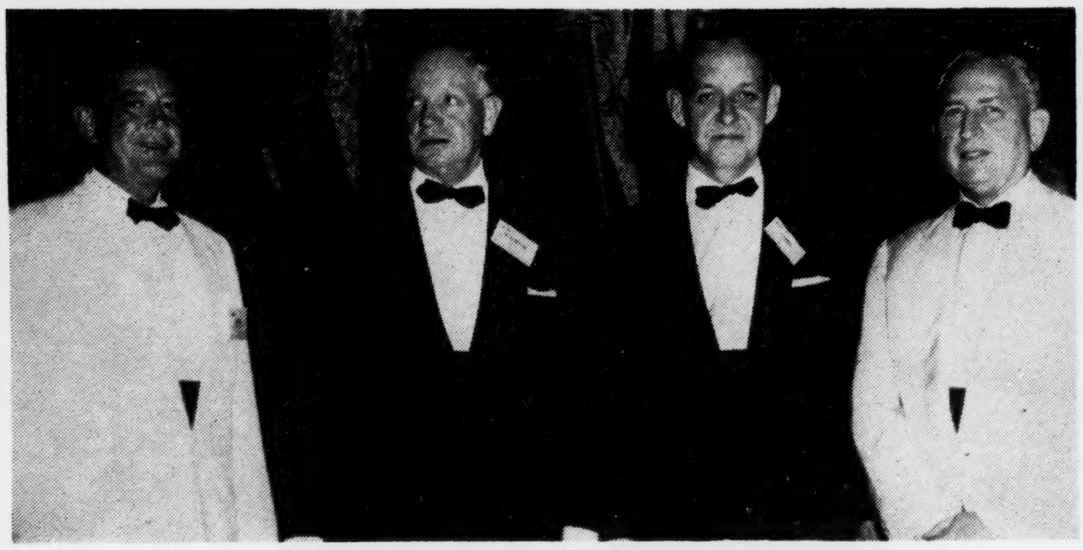


Mark A. Lucas, Jr., *Lucas, Eisen & Waeckerle*, Kansas City, Mo.; Gage C. Frick, *H. O. Peet & Co.*, Kansas City, Mo.; Douglas R. Hansel, *Shields & Company*, New York; Stanley McKie, *Weil, Roth & Irving Co.*, Cincinnati; Leo L. Quist, *Harold E. Wood & Co.*, St. Paul



James Heller, *Shearson, Hammill & Co.*, New York; Milton C. Brittain, *Shearson, Hammill & Co.*, New York; Jackson Cherry, *Shearson, Hammill & Co.*, Los Angeles; Blair A. Phillips, Jr., *Shearson, Hammill & Co.*, Chicago

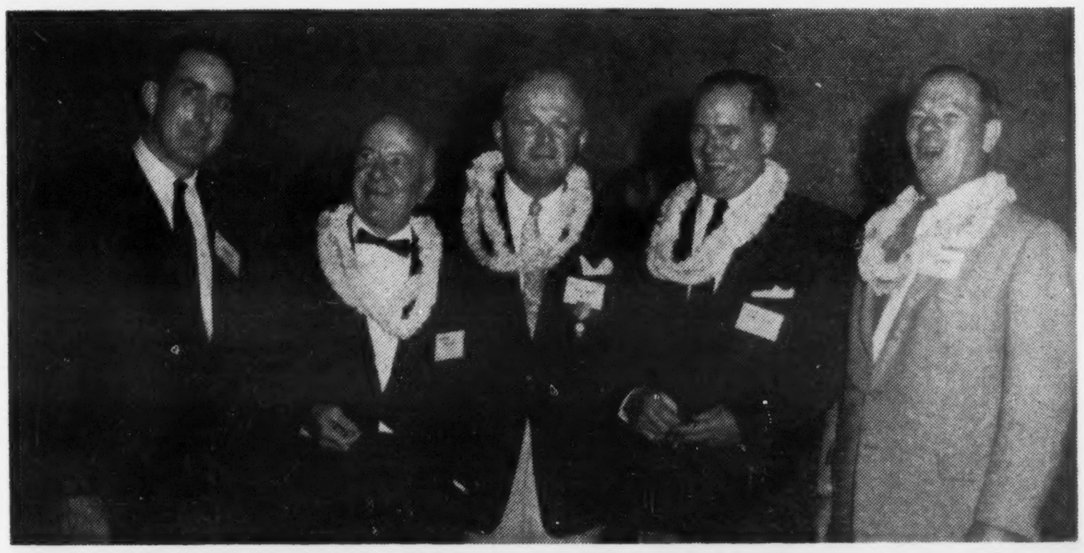
Leonard A. Hockstader, II, *L. F. Rothschild & Co.*, New York; Warner A. Rosenthal, *Straus, Blosser & McDowell*, Chicago



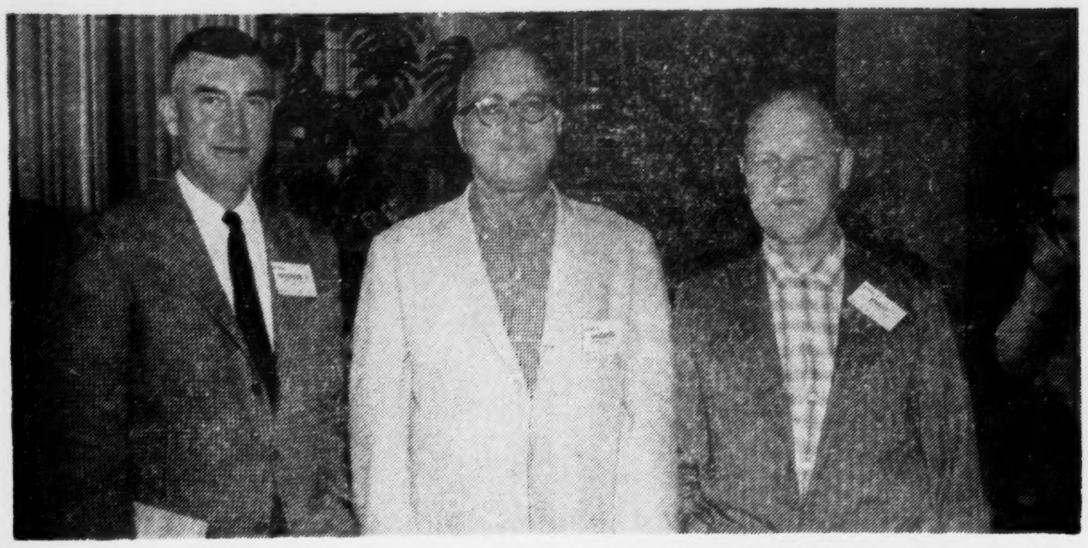
Thomas J. Cahill, *Chase Manhattan Bank*, New York; Edward H. Robinson, *Schwabacher & Co.*, New York; Carnot W. Evans, *Clark, Dodge & Co.*, New York; Edward A. Stephenson, *Chase Manhattan Bank*, New York

William J. Anderson, *Equitable Securities Corporation*, Nashville; Ira B. MacCulley, *Equitable Securities Corporation*, New York City

E. B. de Selding, *Spencer Trask & Co.*, New York; Mr. & Mrs. Avery Rockefeller, Jr., *Dominick & Dominick;* Francis J. Cullum, *W. C. Langley & Co.*, New York; Peter V. N. Philip, *W. H. Morton & Co.*, New York

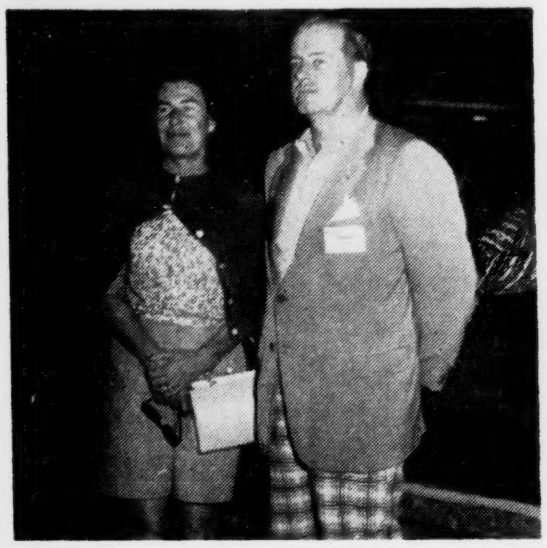


Dean P. Guerin, *Eppler, Guerin & Turner*, Dallas; L. Raymond Billett, *McCormick & Co.*, Chicago; Paul L. Mullaney, *Mullaney, Wells & Co.*, Chicago; Arthur A. Christophel, *Reinholdt & Gardner*, St. Louis; Clarence A. Blewer, *Blewer, Glynn & Co.*, St. Louis

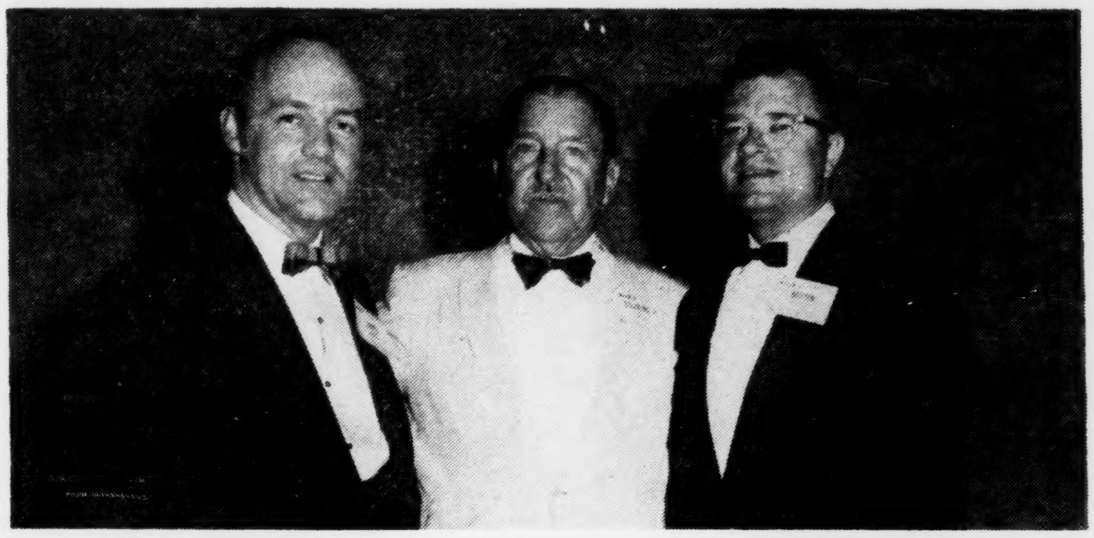


W. Neal Fulkerson, Jr., *Bankers Trust Company*, New York; George R. Waldmann, *Mercantile Trust Company*, New York; Newell S. Knight, *Mercantile Trust Company*, St. Louis

Mr. & Mrs. Kurt H. Grunebaum, *New York Hanseatic Corporation*, New York; Arthur C. Turner, *New York Hanseatic Corporation*, New York



Mr. & Mrs. William T. Kemble, *Estabrook & Co.*, Boston



Philip Smith, *Calvin Bullock, Ltd.*, Philadelphia; Mason B. Starring, *A. C. Allyn & Co.*, New York; Wilson A. Britten, *Calvin Bullock, Ltd.*, New York

Mr. & Mrs. Robert E. Hamilton, *Laidlaw & Co.*, New York

Mr. & Mrs. Bradley Green, *Morgan Guaranty Trust Company*, New York; Mr. & Mrs. Walter Morse, *Lehman Brothers*, New York

Jim Daisy Initiates: Scott Cluett, *Harriman Ripley & Co. Incorporated*, New York; Andrew Beaubien, *L. G. Beaubien & Co.*, Montreal; Newell S. Knight, *Mercantile Trust Company*, St. Louis

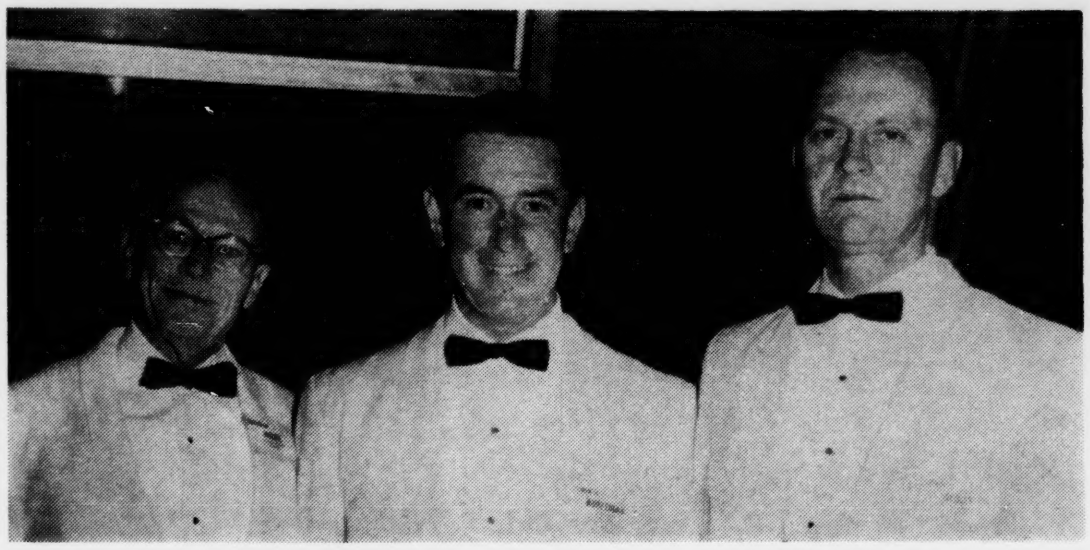
Mr. & Mrs. Frank Warden, *Central National Bank of Des Moines*, Iowa; Mr. & Mrs. Egerton B. Vinson, *De Haven & Townsend, Crouter & Bodine*, New York

Mr. & Mrs. Garrett H. Taylor, *Wood, Gundy & Co., Inc.*, New York; Mr. & Mrs. Gilbert Hattier, *White, Hattier & Sanford*, New Orleans

Mr. & Mrs. Robert O. Shepard, *Prescott, Shepard & Co., Inc.*, Cleveland; Hans A. Widenmann, *Carl M. Loeb, Rhoades & Co.*, New York

Mr. & Mrs. Robie L. Mitchell, *Mitchell, Pershing, Shetterly & Mitchell*, New York; Mr. & Mrs. David A. Haley, *Harkness & Hill, Incorporated*, Boston

Jack Staples, *Fulton Reid & Co., Inc.*, Cleveland; Wickliffe Shreve, *Hayden Stone & Co.*, New York



Edward W. Miller, *The Ohio Company*, Columbus, Ohio; Edwin A. Bueltman, *Clair & Co. Incorporated*, New York; George G. Scully, *The Ohio Company*, Columbus

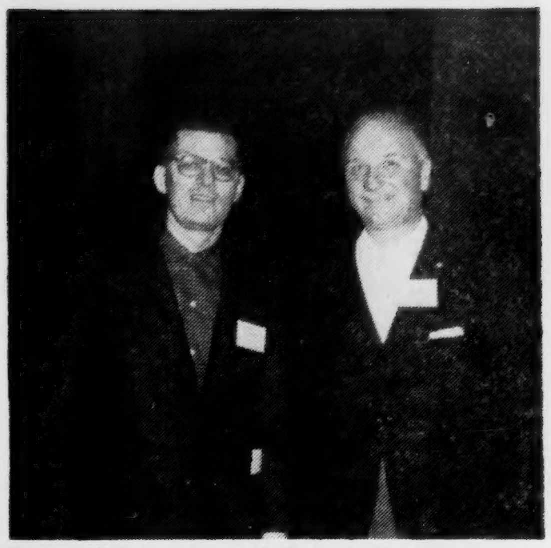
Mr. & Mrs. J. Mabon Childs, *Chaplin, McGuinness & Co.*, Pittsburgh

Mr. & Mrs. Frank E. Block, *Citizens & Southern National Bank*, Atlanta; Mr. & Mrs. Beardslee B. Merrill, *Richards, Merrill & Peterson*, Spokane, Wash.

Mr. & Mrs. Philip R. Neuhaus, *Underwood, Neuhaus & Co.*, Houston; Barbara Gray, Cleveland; Robert A. Powers, *Smith, Barney & Co.*, New York

Mr. & Mrs. Howard B. Dean, *Harris, Upham & Co.*, New York; Mr. & Mrs. George H. Howard, *Harris, Upham & Co.*, New York

Mr. & Mrs. John Latshaw, *E. F. Hutton & Company*, Kansas City, Mo.; Charles E. Curry, Kansas City, Mo. (guest)



Raymond B. Garcia, *J. M. Dain & Co.*, Minneapolis; Alonzo C. Allen, *Blyth & Co., Inc.*, Detroit

Mr. & Mrs. George U. Robson, *Walston & Co., Inc.*, Ft. Lauderdale, Fla.; J. Emerson Thors, *Kuhn, Loeb & Co.*, New York; Mr. & Mrs. Albert C. Purkiss, *Walston & Co., Inc.*, New York

Mrs. L. Walter Dempsey, New York; Mrs. Monroe V. Poole, New York

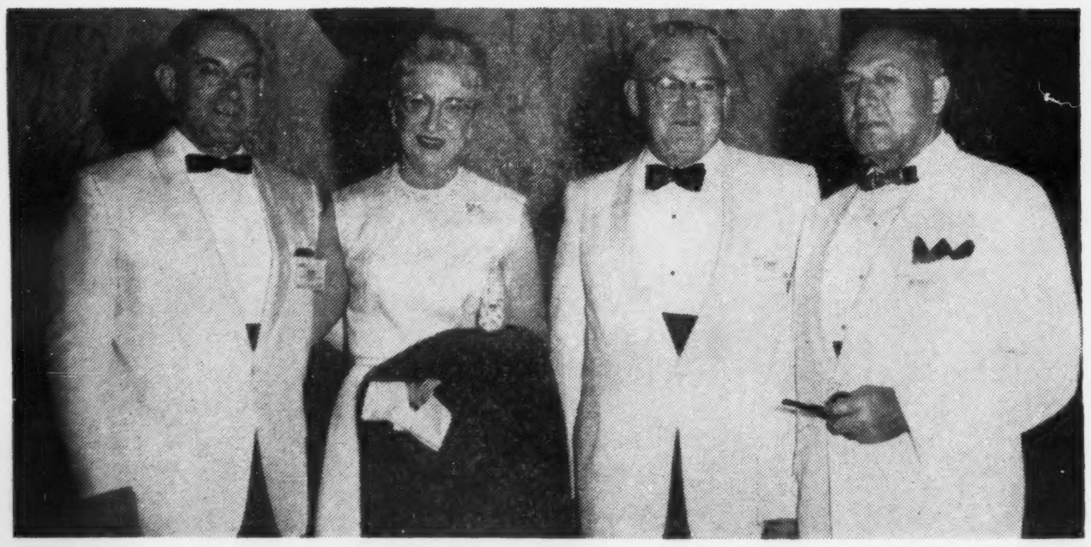
James F. Reilly, *Goodbody & Co.*, New York; Mr. & Mrs. Thomas Larkin, *Goodbody & Co.*, New York; Frank A. Wood, *Goodbody & Co.*, New York; Lawrence B. Illoway, *Penington, Colket & Co.*, Philadelphia

Mr. & Mrs. Robert H. O'Keef, *The Marshall Company*, Milwaukee; S. Whitney Bradley, *Eaton & Howard, Inc.*, Boston; Andrew S. Beaubien, *L. G. Beaubien & Co.*, Montreal; Rex Stevenson, *Nesbitt, Thomson & Co.*, New York

Mr. & Mrs. Delmont K. Pfeffer, *First National City Bank*, New York

Mr. & Mrs. Merrill Freeman, *Salomon Bros. & Hutzler*, New York; Mr. & Mrs. Peter Knoop, *Auchincloss, Parker & Redpath*, New York; Martin J. McAndrews, *Hemphill, Noyes & Co.*, New York

Mr. & Mrs. E. Lynn Crossley, *Municipal Finance Officers Association*, Dallas



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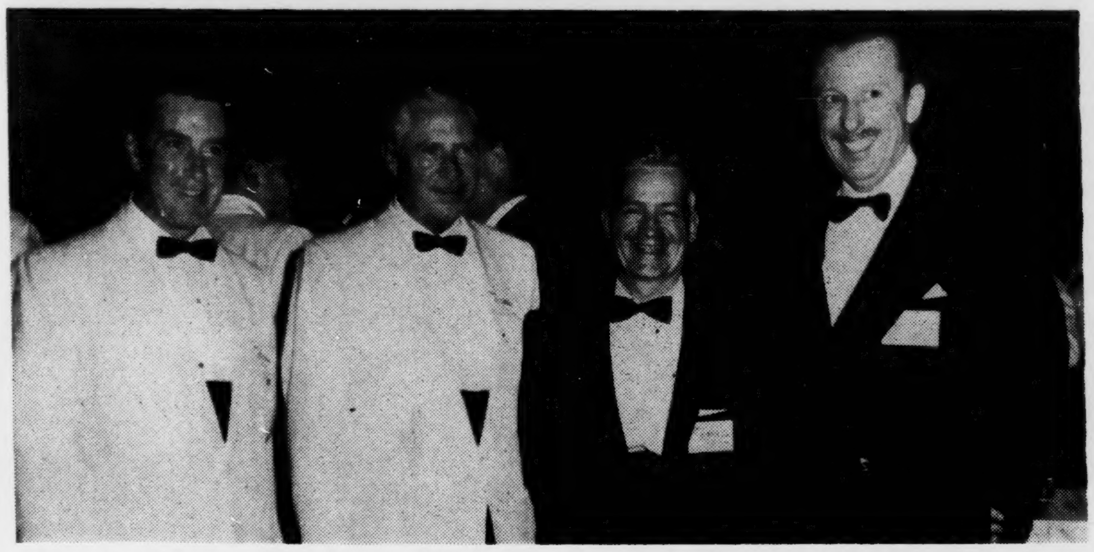
Mr. & Mrs. John M. Pokorny, *Warren W. York & Co.*, Allentown, Pa.; Mr. & Mrs. L. Paul Close, *Rambo, Close & Kerner*, Philadelphia; Walter Kennedy, *H. Hentz & Co.*, New York

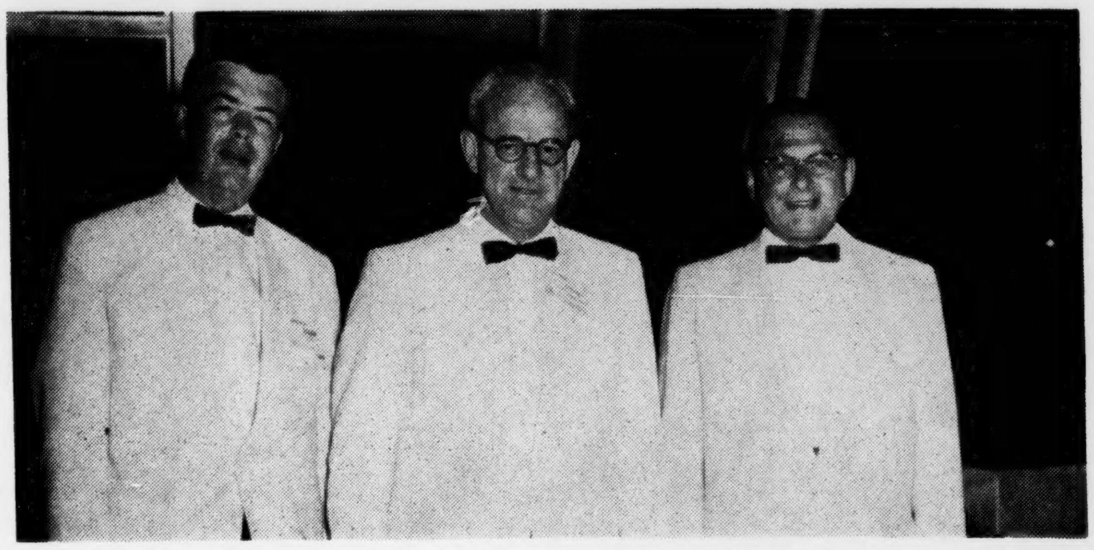
H. Stanley Krusen, *Shearson, Hammill & Co.*, New York; Francis B. Bowman, *Chase Manhattan Bank*, New York



Edwin A. Bueltman, *Blair & Co Incorporated*, New York; Homer J. O'Connell, *Blair & Co. Incorporated*, New York; Roswell Yunker, *A. M. Kidder & Co., Inc.*, New York; William Darmstatter, *Stifel, Nicolaus & Co. Incorporated*, St. Louis

Mr. & Mrs. Miles Watkins, *Stubbs, Watkins & Lombardo, Inc.*, Birmingham, Ala.; Mr. & Mrs. Harrison Clarke, *Johnson, Lane Space & Co.*, Atlanta

Mr. & Mrs. Edward C. Gray, *New York Stock Exchange*, New York City; Bayard Dominick, *Dominick & Dominick*, New York City

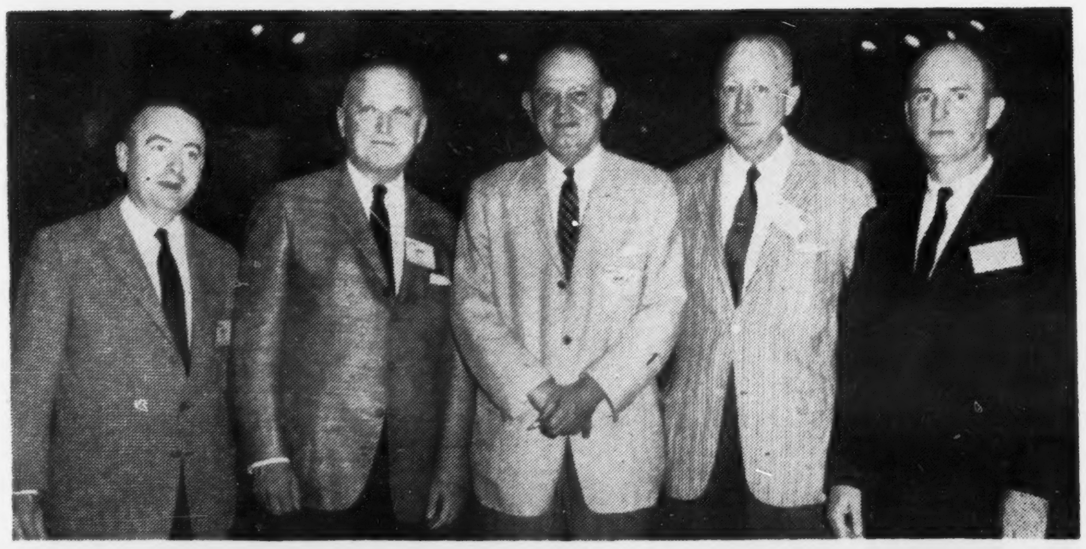


Burton M. Eggan, *Glore, Forgan & Co.*, Chicago; James C. Sargent, *Securities and Exchange Commission*, Washington, D. C.; Lester J. Thorsen, *Glore, Forgan & Co.*, Chicago

Mr. & Mrs. R. Stuart Dickson, *R. S. Dickson & Co., Inc.*, Charlotte, N. C.

Mr. & Mrs. Edward B. Wulbern, *Pierce, Carrison & Wulbern, Inc.*, Jacksonville, Fla.; Francis J. Cunningham, *Kidder, Peabody & Co.*, New York

Alpheus C. Beane, *J. R. Williston & Beane*, New York

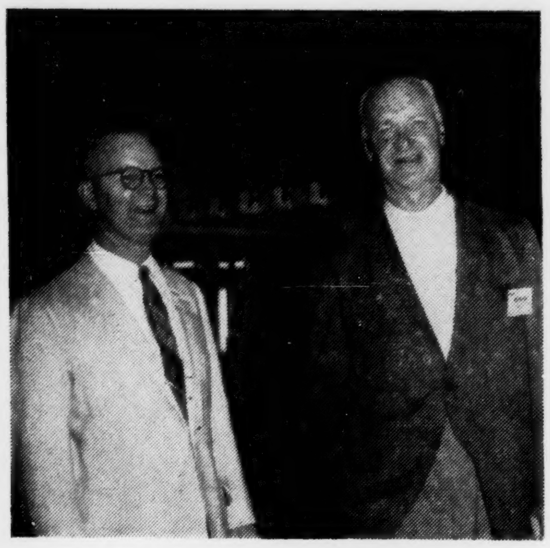


William L. Liebman, *Loewi & Co., Incorporated*, Milwaukee; J. Victor Loewi, *Loewi & Co., Incorporated*, Milwaukee; Harvey G. Gram, Jr., *Johnston, Lemon & Co.*, Baltimore; James T. Beeson, *Clement A. Evans & Co. Incorporated*, Atlanta; R. Ellis Godshall, *Clement A. Evans & Co. Incorporated*, Atlanta

John L. Ahbe, *Distributors Group, Incorporated;* New York; William M. Witter, *Dean Witter & Co.*, Chicago; Blair A. Phillips, Jr., *Shearson, Hammill & Co.*, Chicago; Richard O. Arneson, *Dittmar & Company*, San Antonio; William C. Porter, *Dittmar & Company*, San Antonio

George Ferris, *Ferris & Co.*, Washington, D. C.; Mrs. Yvonne McVay, Indian Embassy, Washington, D. C.; Mr. & Mrs. John R. Haire, *Hugh W. Long & Co., Inc.*, Elizabeth, N. J.

E. Jansen Hunt, *White, Weld & Co.*, New York; Mr. & Mrs. Monroe V. Poole, *Geo. B. Gibbons & Co.*, New York; Mr. & Mrs. John McG. Dalenz, *Calvin Bullock, Ltd.*, New York



Henning Hilliard, *J. J. B. Hilliard & Son*, Louisville, Ky.; Robert V. Wehrheim, *Philadelphia National Bank*, Philadelphia

Kelton E. White, *G. H. Walker & Co.*, St. Louis; George S. Writer, *Peters, Writer & Christensen, Inc.*, Denver; George A. Newton, *G. H. Walker & Co.*, St. Louis; Robert Stevenson III, *Investment Bankers Association of America*, Washington, D. C.

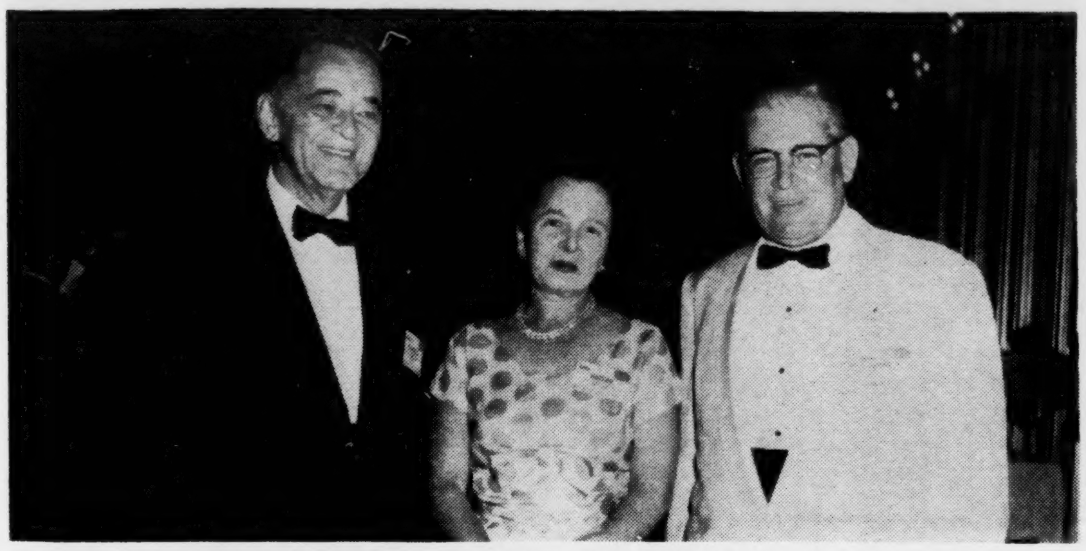
Robert L. Baldwin, *Morgan Stanley & Co.*, New York; Henry L. Valentine, *Davenport & Co.*, Richmond, Va.

Mr. & Mrs. Andrew M. Marckwald, *Discount Corporation of New York;* Wingate Bixby, *Discount Corporation of New York;* Robert B. Blyth, *National City Bank*, Cleveland

Mr. & Mrs. Harold C. Patterson, *Securities and Exchange Commission*, Washington, D. C.; James E. Day, *Midwest Stock Exchange*, Chicago

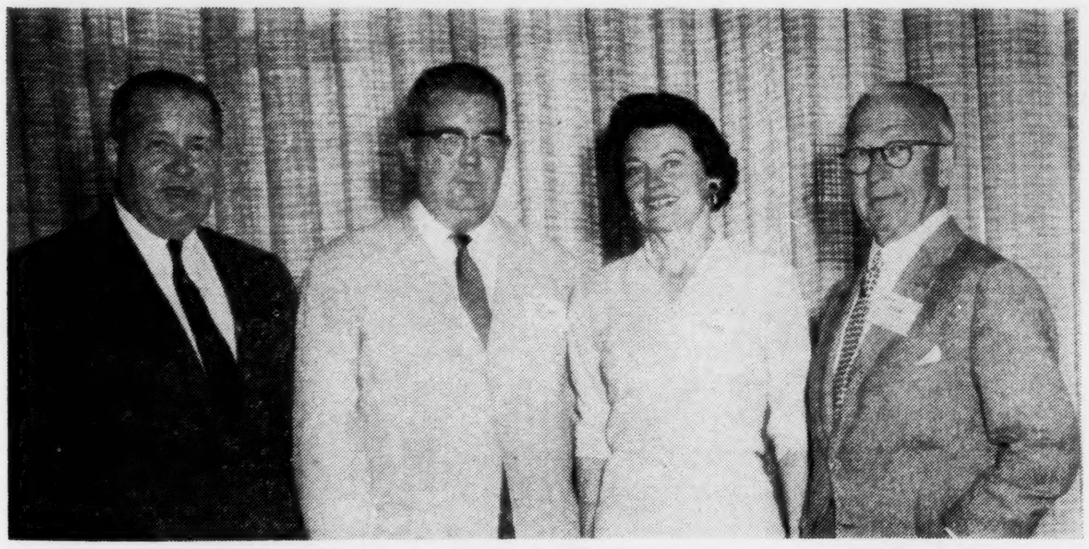
Fred D. Stone, Jr., *Marine Trust Company of Western New York*, New York City; Roald A. Morton, *Blue List Publishing Co.*, New York City; Francis D. Farrell, *City National Bank & Trust Company*, Kansas City, Mo.

Henry Earle, *First of Michigan Corporation*, Detroit; Buford Scott, *Scott & Stringfellow*, Richmond, Va.; E. Jansen Hunt, *White, Weld & Co.*, New York; Russell E. Siefert, *Stern Brothers & Co.*, Kansas City, Mo.



Frank E. Carter, *Equitable Securities Corporation*, New York; Mr. & Mrs. Gilbert Hattier, Jr., *White, Hattier & Sanford*, New Orleans, La.

Mr. & Mrs. George Herrington, *Orrick, Dahlquist, Herrington & Sutcliffe*, San Francisco; Mr. & Mrs. Allan K. Browne, *Bank of America, N. T. & S. A.*, San Francisco



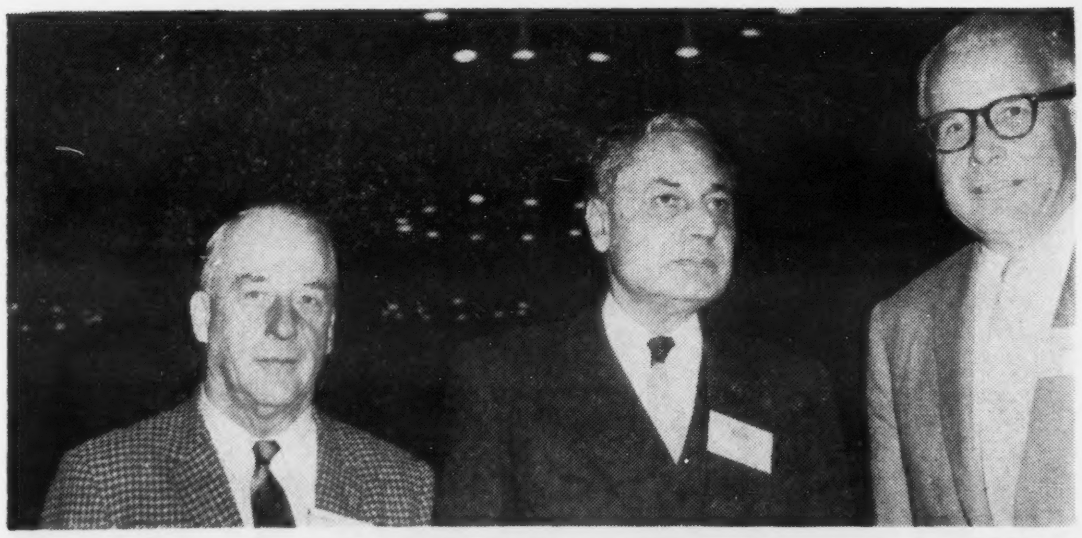
Milton G. Hulme, *Hulme, Applegate & Humphrey*, Pittsburgh; Mr. & Mrs. H. Theodore Freeman, *American Securities Corporation*, New York; Joseph W. Dixon, *American Securities Corporation*, New York

Robert M. Goodwin, *First National City Bank*, New York; Franklin Saul, *First National City Bank*, New York; Lester V. Murphy, *Barr Brothers & Co.*, New York; Arthur F. Humphrey, Jr., *Hulme, Applegate & Humphrey*, Pittsburgh

Leo L. Quist, *Harold E. Wood & Co.*, St. Paul, Minn.; George J. Gruner, *John Nuveen & Co.*, New York; J. David Everard, *John Nuveen & Co.*, New York

J. Hollis Austin, *J. W. Tindall & Co.*, Atlanta; Fred L. Mullikin, Jr., *First Southeastern Company*, Atlanta; H. Frank Burkholder, *Equitable Securities Corporation*, Nashville

Mr. & Mrs. Marshall H. Johnson, *McDaniel Lewis & Co.*, Greensboro, N. C.; William F. Gliss, Jr., *John C. Legg & Company*, New York; Cyril M. Murphy, *John C. Legg & Company*, New York; Philip O. Rogers, *John C. Legg & Company*, New York



George I. Martin, *International Bank*, New York; His Excellency B. K. Nehru, Commissioner General For Economic Affairs, India, Washington, D. C.; Warren H. Crowell, *Crowell, Weedon & Co.*, Los Angeles

Mr. & Mrs. H. I. Josey, *H. I. Josey & Co.*, Oklahoma City

Mr. & Mrs. John Cullen, *R. W. Pressprich & Co.*, New York; Mr. & Mrs. Lewis P. Jacoby, Jr., *Thayer, Baker & Co.*, Philadelphia

Peter Knothe, *Halle & Stieglitz*, New York; Chuck Miller, *Mullaney, Wells & Co.*, Chicago

Mr. & Mrs. James C. Lee, *W. E. Hutton & Co.*, New York; Thomas C. Cafone, *W. E. Hutton & Co.*, New York; Mr. & Mrs. John H. Stafford, *Lee Higginson Corporation*, New York

Mr. & Mrs. G. Peter Nares, *James Richardson & Sons, Inc.*, New York; Mr. & Mrs. Edward E. Carpenter, *McDougal & Condon, Inc.*, Chicago

Sam Lyons, *Cruttenden, Podesta & Co.*, Chicago; Jim Day, *Midwest Stock Exchange*

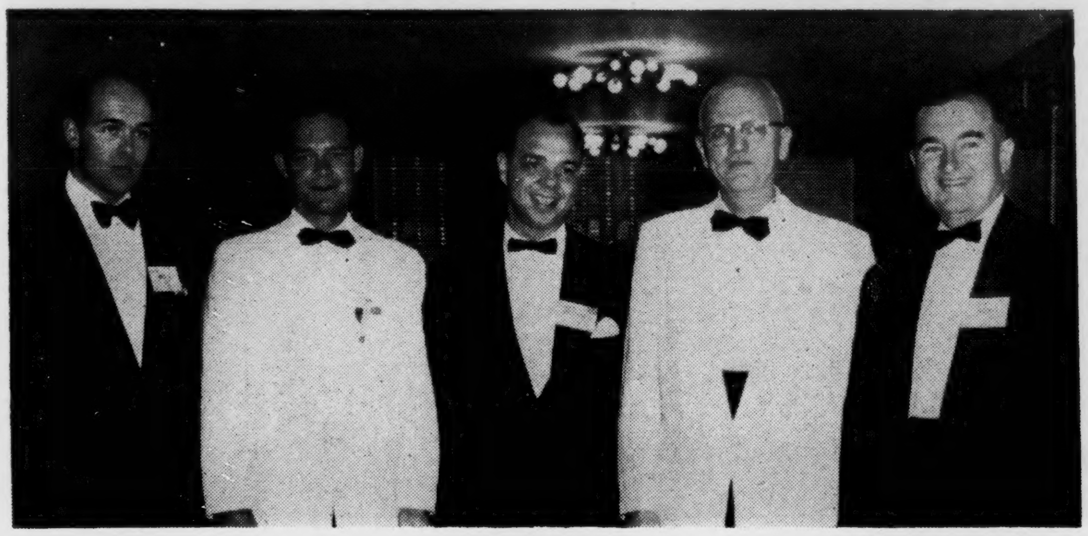
Mr. & Mrs. Glenn E. Anderson, *Carolina Securities Corporation*, Raleigh, N. C.; Preston J. McNurney, *F. S. Moseley & Co.*, Chicago

Mr. & Mrs. Felix N. Porter, *First National Bank & Trust Company*, Oklahoma City, Okla.

Larry Lyons, *Allen & Company*, New York, at Hawaiian Luau

Mr. & Mrs. Garrett H. Taylor, *Wood, Gundy & Co., Inc.*, New York; Mrs. Irving Campbell, Toronto

William D. Kerr, *Bacon, Whipple & Co.*, Chicago, Retiring President, pinning badge of office on James J. Lee, *W. E. Hutton & Co.*, New York City, President-Elect



Jack M. Bass, Jr., *Jack M. Bass & Co.*, Nashville, Tenn.; Harold W. Clark, *Clark, Landstreet & Kirkpatrick, Inc.*, Nashville; Beverly W. Landstreet III, *Clark, Landstreet & Kirkpatrick, Inc.*, Nashville; J. Hollis Austin, *J. W. Tindall & Co.*, Atlanta; Robert A. W. Brauns, *McDonnell & Co., Incorporated*, New York

James J. Lee, *W. E. Hutton & Co.*, New York City, President-Elect of I. B. A.; His Excellency, B. K. Nehru, Commissioner General for Economic Affairs, India, Washington, D. C.

Mr. & Mrs. P. Fred Fox, *P. F. Fox & Co., Inc.*, New York; Mr. & Mrs. Erwin H. Eisen, *Lucas, Eisen & Waeckerle*, Kansas City, Mo.

David B. McElroy, *Clark, Dodge & Co.*, New York; Mr. & Mrs. Charles L. Hewitt, *Francis I. du Pont & Co.*, New York; Walter B. Levering, *Carlisle & Jacquelin*, New York

Mr. & Mrs. John C. Hagan III, *Mason-Hagan, Inc.*, Richmond, Va.

Mr. & Mrs. James W. Chandler, *W. L. Lyons & Co.*, Louisville, Ky.; James L. Quigg, *Paine, Webber, Jackson & Curtis*, Chicago; Mr. & Mrs. George Putnam, Jr., *Putnam Fund Distributors*, Boston

Mr. & Mrs. William J. Sloan, *Florida Growth Fund, Inc.*, Palm Beach, Fla.

Mr. & Mrs. David Hunter, *McKelvy & Company*, Pittsburgh; Arthur A. Christophel, *Reinholdt & Gardner*, St. Louis; Mr. & Mrs. Milton G. Hulme, *Hulme, Applegate & Humphrey*, Pittsburgh; Mr. & Mrs. Charles M. Werly, *Putnam Fund*, Boston

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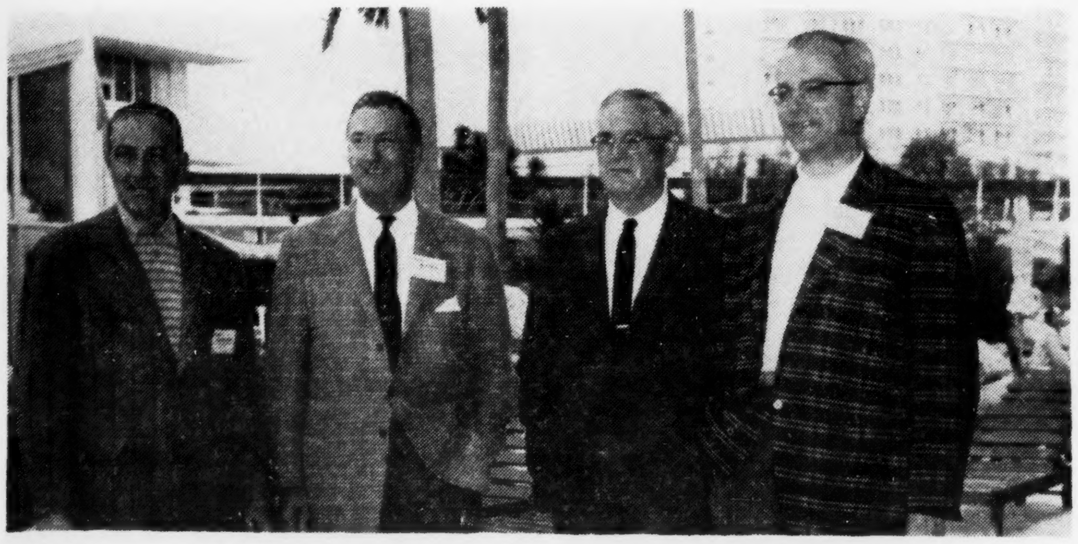
Walter B. Levering, *Carlisle & Jacquelin,* New York; Mr. & Mrs. Frank L. Newburger, Jr., *Newburger & Co.,* Philadelphia

Mr. & Mrs. Robert A. Podesta, *Cruttenden, Podesta & Co.,* Chicago; Mr. & Mrs. Glenn Miller, *Cruttenden, Podesta & Co.,* Chicago

Mr. & Mrs. James W. Heward, *Butcher & Sherrerd,* Philadelphia

Mrs. John E. Van Horne, Omaha; Blair A. Phillips, Jr., *Shearson, Hammill & Co.,* Chicago; Mrs. Richard De Bolt, Miami

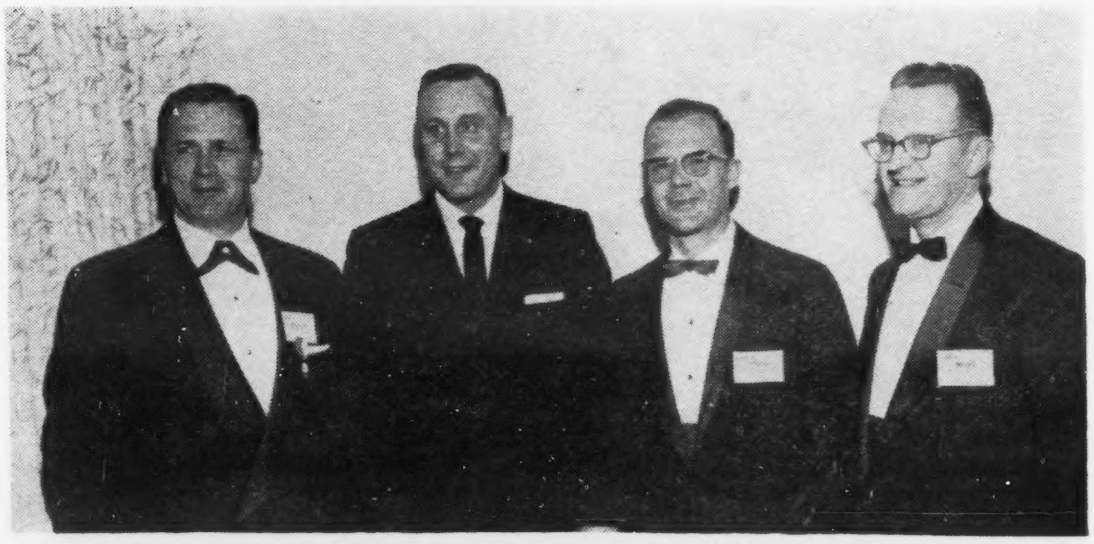
Mr. & Mrs. R. S. Abernethy, *Interstate Securities Corporation,* Charlotte, N. C.



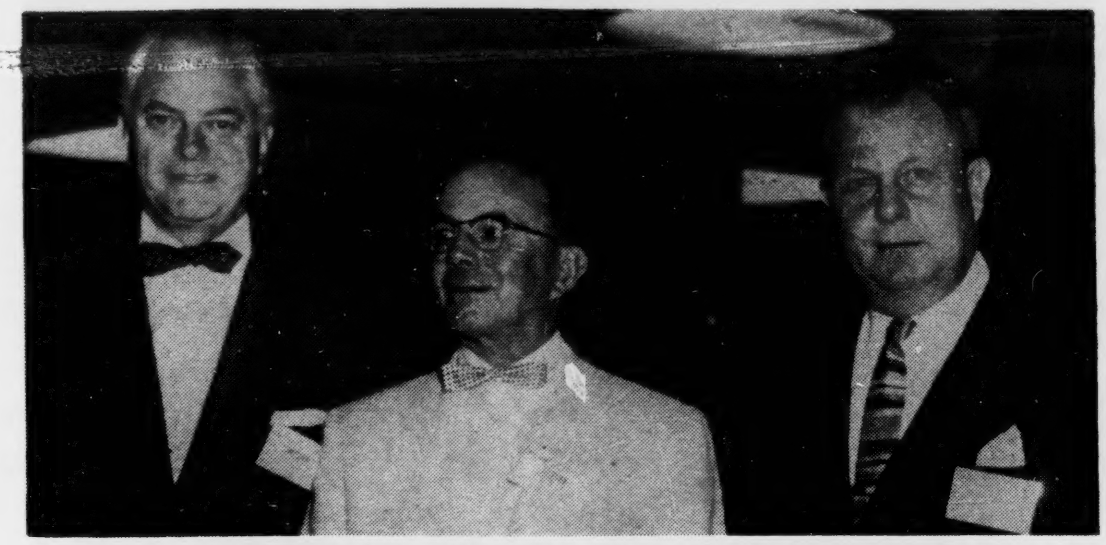
Melville P. Chamberlain, *Chemical Bank New York Trust Company,* New York; Brainerd H. Whitbeck, *First Boston Corporation,* New York; William Wallace, *Mellon National Bank,* Pittsburgh; Joseph Vostal, *Kidder, Peabody & Co.,* New York

Mr. & Mrs. Lockett Shelton, *Republic National Bank,* Dallas; Pedro Souss, *Government Development Bank of Puerto Rico,* Santurce, P. R.; Juan Labadie, *Government Development Bank of Puerto Rico,* Santurce, P. R.; William C. Porter, *Dittmar & Company,* San Antonio, Texas

Dennis E. Murphy, *The Ohio Company,* Columbus; William J. Lawlor, Jr., *Hornblower & Weeks,* Chicago; Howard E. Buhse, *Hornblower & Weeks,* New York City



Robert A. Podesta, Richard Neal, Ronald M. Coutts, and Glenn R. Miller, all of *Cruttenden, Podesta & Co.,* Chicago



Harry Snyder, *Yarnall, Biddle & Co.*, Philadelphia; William Z. Suplee, *Suplee, Yeatman, Mosley Co., Inc.*, Philadelphia; George W. Elkins, *Elkins, Morris, Stokes & Co.*, Philadelphia

Mr. & Mrs. George Rutherford, *Dominion Securities Corporation*, New York; Louis Gibbs, *Laird, Bissell & Meeds*, New York

James S. Bush and Hon. Samuel C. Waugh, both of *Export-Import Bank*, Washington, D. C.

Mr. & Mrs. George R. Wendt, *First National Bank*, Chicago; Milton A. Manley, *Manley, Bennett & Co.*, Detroit

Mr. & Mrs. Walter W. Craigie, *F. W. Craigie & Co.*, Richmond, Va.

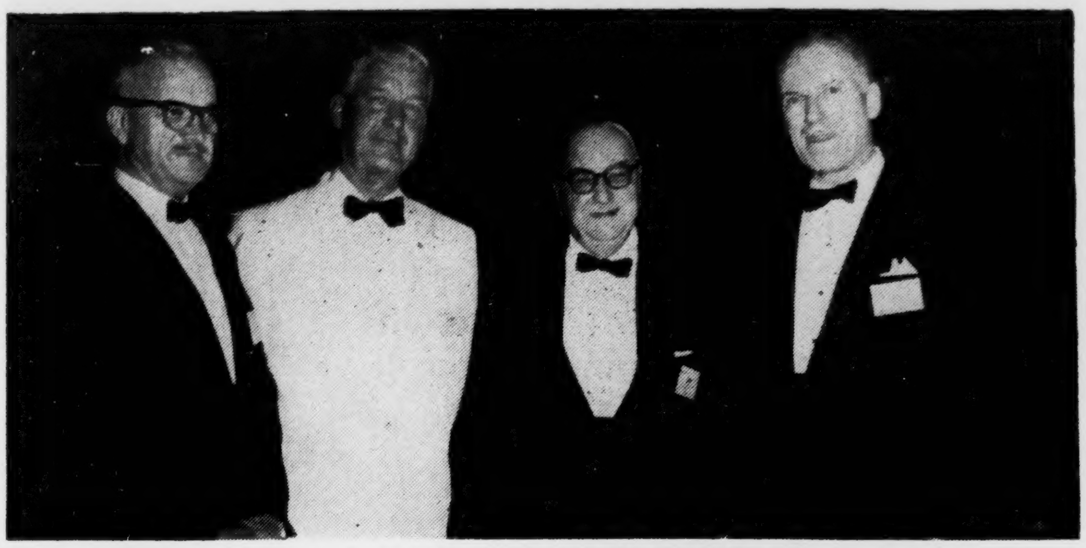
Joseph Nugent, *Mabon & Co.*, New York; Robert Rowe, *Stroud & Company, Incorporated*, Philadelphia; Walter D. Schmidt, *Schmidt, Roberts & Parke*, Philadelphia; George T. Flynn, *Hornblower & Weeks*, New York

Mr. & Mrs. John P. Labouisse, *Howard, Weil, Labouisse, Friedrichs and Company*, New Orleans; Carr Payne, *Cumberland Securities Corporation*, Nashville, F. Vincent Reilly, *Commercial & Financial Chronicle*, New York

Mr. & Mrs. James F. Jacques, *First Southwest Company*, Dallas; Donald E. Furber, *Eaton & Howard, Inc.*, Boston

John M. Bleakie, *W. E. Hutton & Co.*, Boston; Mr. & Mrs. David A. Haley, *Harkness & Hill Incorporated*, Boston; James M. Hutton III, *W. E. Hutton & Co.*, Cincinnati

John W. de Milhau, *Chase Manhattan Bank*, New York; F. D. Farrell, *City National Bank & Trust Co.*, Kansas City, Mo.



Harry J. Steele, *H. J. Steele & Co.*, Pittsburgh; Charles N. Fisher, *Singer, Deane & Scribner*, Pittsburgh; Allen D. Sapp, *Schmidt, Roberts & Parke*, Philadelphia; Carl Stolle, *G. A. Saxton & Co., Inc.*, New York

Milton F. Lewis, *A. G. Becker & Co., Incorporated*, New York; Joseph P. Kreeger, *Jones, Kreeger & Co.*, Washington, D. C.

Joshua A. Davis, *Blair & Co. Incorporated*, New York; Fred W. Hudson, *Ball, Burge & Kraus, Cleveland;* Watson B. Dabney, *J. J. B. Hilliard & Son*, Louisville, Ky.; Donald D. Mackey, *Dominick & Dominick*, New York City; Homer J. O'Connell, *Blair & Co. Incorporated*, New York

Thomas Whiteside, *Chace, Whiteside & Winslow*, Boston; Francis V. Ward, *H. C. Wainwright & Co.*, Boston; Edward J. Costigan, *Edward D. Jones & Co.*, St. Louis; Edward D. Jones, *Edward D. Jones & Co.*, St. Louis

Mr. & Mrs. Kenneth J. Howard, *J. A. Hogle & Co.*, New York

Mr. & Mrs. Maurice Meyer III, *Hirsch & Co., New York;* Mr. & Mrs. Maurice Meyer, Jr., *Hirsch & Co.*, New York

Mr. & Mrs. Kurt H. Grunebaum, *New York Hanseatic Corporation*, New York

Mr. & Mrs. Walter Sorensen, *Rotan, Mosle & Co.*, Houston; Clement A. Evans, *Clement A. Evans & Co. Incorporated;* Atlanta; Herbert R. Anderson, *Distributors Group, Incorporated*, New York; Francis X. Coleman, *Gregory & Sons*, New York

Robert W. Ewing, *A. E. Masten & Co.*, Wheeling, W. Va.; Gordon Scherck, *Scherck, Richter Company*, St. Louis; Charles W. Rendigs, Jr., *Bache & Co.*, New York; Roswell J. Yunker, *A. M. Kidder & Co., Inc.*, New York; Mr. & Mrs. Hunter Breckenridge, *McCourtney-Breckenridge & Co.*, St. Louis

Hal Murphy, *Commercial & Financial Chronicle*, New York; George B. Wendt, *First National Bank of Chicago;* Henry J. Simonson, Jr., *National Securities & Research Corporation*, New York; Mr. & Mrs. Maurice Meyer, Jr., *Hirsch & Co.*, New York, returning from a fishing trip on the Meyers' yacht Poseidon II

Mr. & Mrs. John J. Clapp, Jr., *R. W. Pressprich & Co.*, New York; F. D. Farrell, *City National Bank & Trust Co.*, Kansas City, Mo.; Marquette de Bary, *F. S. Smithers & Co.*, New York; Albert J. T. Woll, *Hayden, Stone & Co.*, Boston; Mrs. G. C. Stevenson, New York; Charles L. Bergmann, *R. W. Pressprich & Co.*

Mr. & Mrs. William G. Simpson, *Simpson, Emory & Co.*, Pittsburgh; Mr. & Mrs. Harry J. Steele, *H. J. Steele & Co.*, Pittsburgh

George W. Elkins, *Elkins, Morris, Stokes & Co.*, Philadelphia; Owen Daly II, *Mercantile-Safe Deposit and Trust Company*, Baltimore; Howard Finney, Jr., *Bear, Stearns & Co.*, New York

Edward B. de Selding, *Spencer Trask & Co.*, New York; Mrs. George Putnam, Jr., Boston; Richard C. Egbert, *Estabrook & Co.*, New York

Mr. & Mrs. Robert R. Brinker, *John Nuveen & Co.*, Chicago; Clarence F. Davis, *First Cleveland Corporation*, Cleveland

Mrs. James J. Lee, New York City; Mr. & Mrs. Jay N. Whipple, *Bacon, Whipple & Co.*, Chicago; Mr. & Mrs. F. Newell Childs, *C. F. Childs & Co.*, Chicago; Mrs. Pat G. Morris, Chicago; Mrs. Elwood D. Robinson, New York City

Mr. & Mrs. Frank R. Warden, *Central National Bank*, Des Moines, Iowa; Mr. & Mrs. Miles A. Watkins, *Stubbs, Watkins & Lombardo, Inc.*, Birmingham; Mr. & Mrs. Lockett Shelton, *Republic National Bank*, Dallas

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Investment Companies Committee, Breakfast Meeting: Robert E. Clark, *Calvin Bullock, Ltd.*, New York City, Chairman

William N. L. Hutchinson, Jr., *Mitchum, Jones & Templeton*, San Francisco; John H. Rauscher, Jr., *Rauscher, Pierce & Co., Inc.*, Dallas

Eugene de Staebler, *Winslow, Cohu & Stetson, Inc.*, New York; George R. Waldmann, *Mercantile Trust Company*, New York; Mr. & Mrs. William H. Morton, *W. H. Morton & Co., Inc.*, New York; Arthur S. Friend, *Folger, Nolan, Fleming-W. B. Hibbs & Co.*, Washington, D. C.

Wallace Fulton, *National Association of Securities Dealers, Inc.*, Washington, D. C.; Ernest W. Borkland, Jr., *Tucker, Anthony & R. L. Day*, New York City

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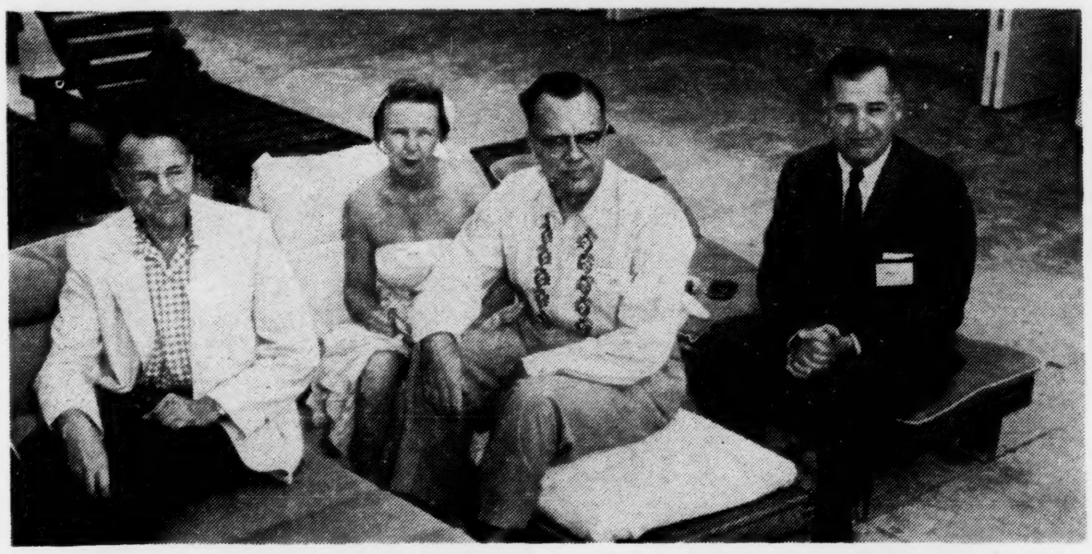
Mr. & Mrs. Irving H. Campbell, *Bell, Gouinlock & Co.*, Toronto; Mrs. Garrett H. Taylor, New York; Andrew S. Beaubien, *L. B. Beaubien & Co.*, Montreal

I. W. Burnham II, *Burnham and Company*, New York; P. Fred Fox, *P. F. Fox & Co., Inc.*, New York; J. Victor Loewi, *Loewi & Co. Incorporated*, Milwaukee

Mr. & Mrs. W. Paul Harper, *Boatmens National Bank of St. Louis*

Mr. & Mrs. Bradshaw Firstbrook, *Greenshields & Co.*, New York; Mr. & Mrs. David L. Torrey, *W. C. Pitfield & Co., Inc.*, New York

Mr. & Mrs. Abraham Zucker, *Tuller & Zucker*, New York



Mr. & Mrs. Russell E. Siefert, *Stern Brothers & Co.*, Kansas City, Mo.; Joseph M. Luby, *Commerce Trust Company*, Kansas City, Mo.; David F. Lawrence, *Boettcher and Company*, Denver

Mrs. Paul Sipp, Jr., New York; Mrs. George W. Hall, New York; Paul L. Sipp, Jr., *Stern, Lauer & Co.*, New York; John W. Rennau, *Carl M. Loeb, Rhoades & Co.*, New York

Oscar M. Bergman, *Allison-Williams Co.*, Minneapolis; R. B. Garcia, *J. M. Dain & Co.*, Minneapolis; Mr. & Mrs. John S. Curtin, *Kalman & Company, Inc.*, Minneapolis; Mrs. James Davant, Minneapolis; Arthur S. Rand, Jr., *Woodard-Ellwood & Company*, Minneapolis

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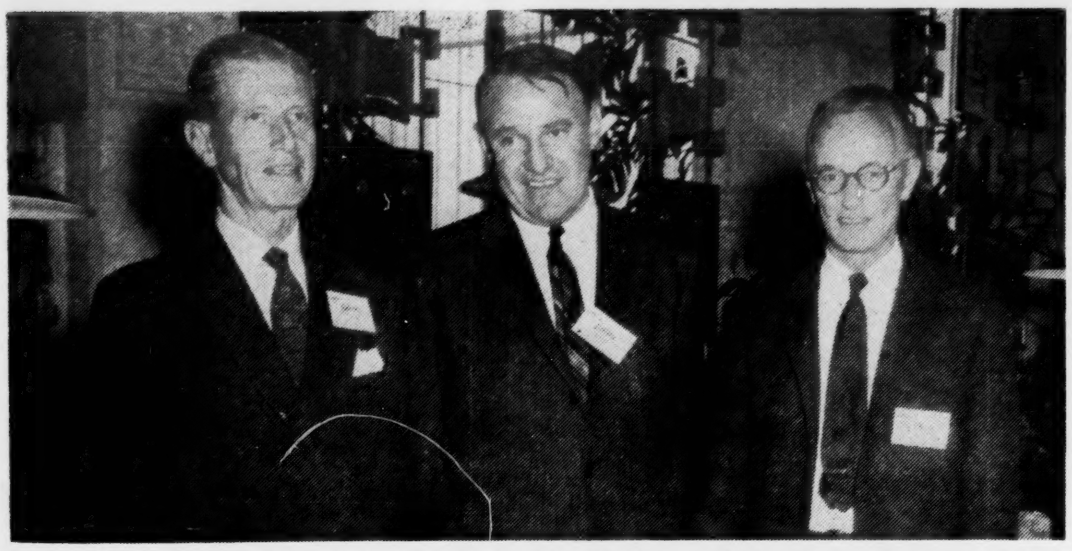
Mrs. Walter Morse, New York; Mrs. Merrill D. Freeman, New York; John W. Rennau, *Carl M. Loeb, Rhoades & Co.*, New York; Mrs. W. Paul Harper, St. Louis; Mrs. David H. Callaway, New York



Earle Gatchell, *Hayden, Stone & Co.,* New York; John W. Turner, *Eppler, Guerin & Turner,* Dallas; Robert Stevenson III, *Investment Bankers Association of America,* Washington, D. C.

John C. Curran, *Van Alstyne, Noel & Co.,* New York; Jerome C. L. Tripp, *Tripp & Co., Inc.,* New York; Mrs. Philip M. Stearns, Miami

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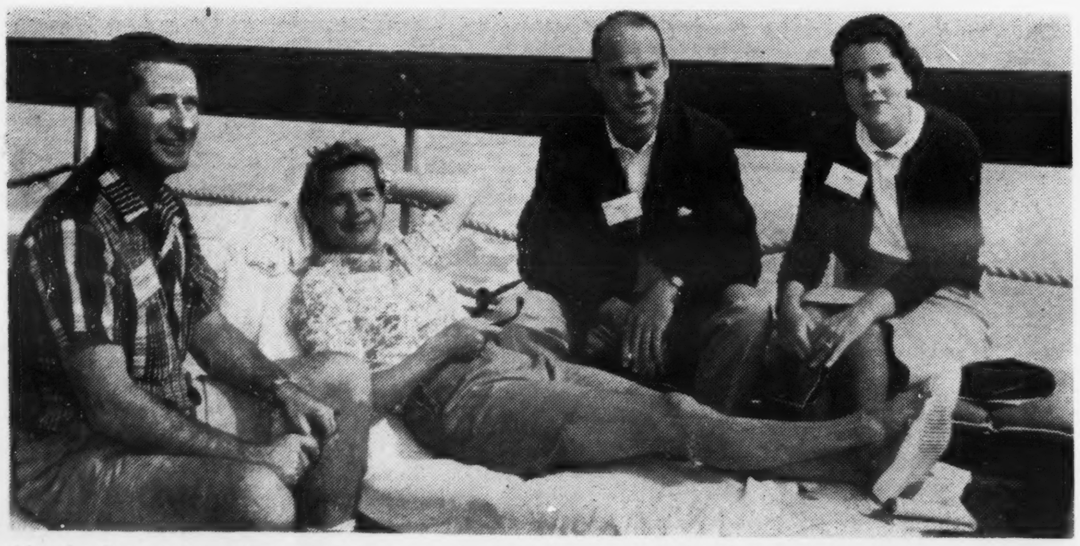
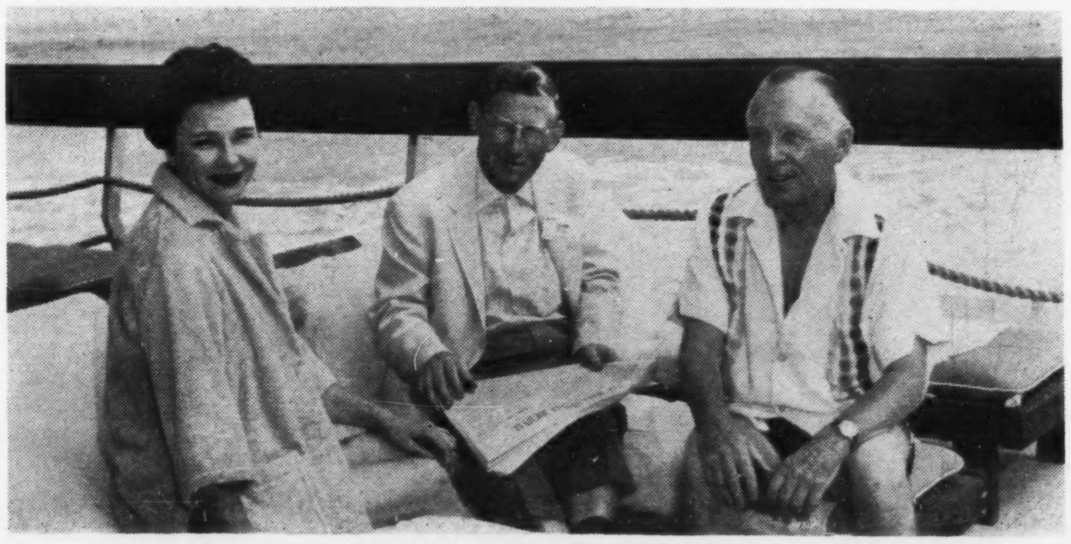
Mr. & Mrs. James R. Hendrix, *Hendrix & Mayes, Inc.,* Birmingham, Ala.; Mr. & Mrs. John McG. Dalenz, *Calvin Bullock, Ltd.,* New York

Belmont Towbin, *C. E. Unterberg Towbin & Co.,* New York; R. W. Courts 2nd, *Courts & Co.,* New York; Dr. Mil Richter, guest; Wick Greene, guest

St. Louis Room celebrates its 40th Anniversary



Mr. & Mrs. Julian K. Roosevelt, *Dick & Merle-Smith,* New York; Mr. & Mrs. Owen Daly II, *Mercantile-Safe Deposit & Trust Company,* Baltimore

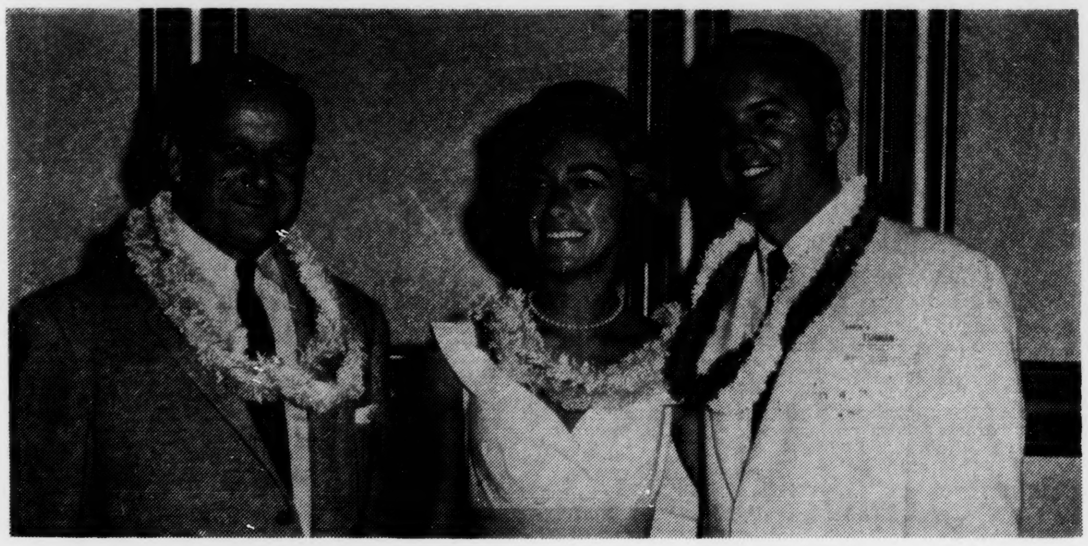


Mr. & Mrs. Arthur Quinn, *Quinn & Co.,* Albuquerque, N. Mex.; John C. Hecht, *Dempsey-Tegeler & Co.,* Los Angeles

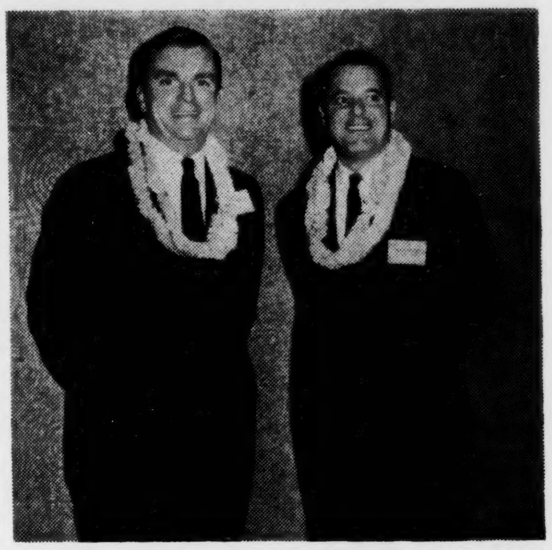
Mrs. S. L. Sholley, Boston; Renouf Russell, *F. S. Moseley & Co.*, Boston; Mrs. Henry Cate, Boston; Preston McNurlen, *F. S. Moseley & Co.*, Chicago; S. L. Sholley, *Keystone Company*, Boston

Mr. & Mrs. J. Denny May, *The Parker Corporation*, Boston; Mr. & Mrs. N. K. Parker, *Kay Richards & Co.*, Pittsburgh

Mr. & Mrs. T. L. Anglin, *Mackall & Coe*, Washington, D. C.

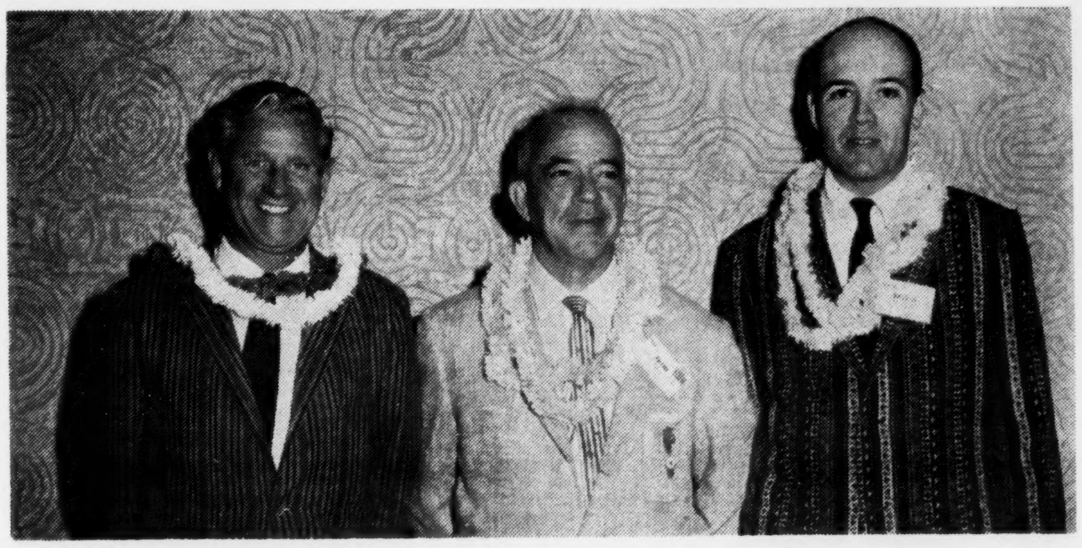


Frederic C. Braun, Jr., *F. S. Moseley & Co.*, New York; Mr. & Mrs. Aaron R. Eshman, *Stern, Frank, Meyer & Fox*, Los Angeles



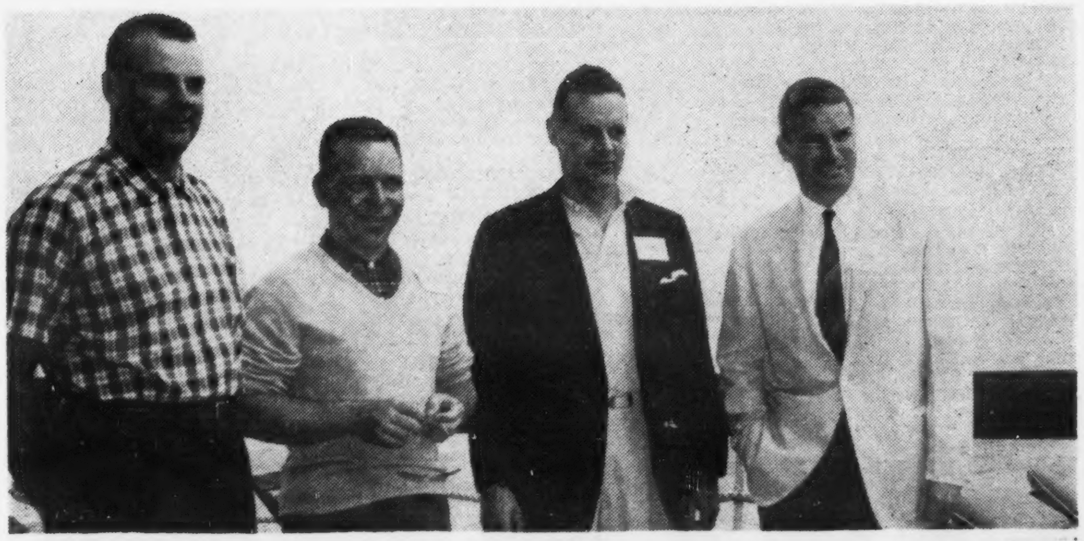
Roger Hickey, *Burnham and Company*, New York; Allan Weintraub, *Bear, Stearns & Co.*, New York

Mr. & Mrs. Kenneth Thompson, *Luce, Thompson & Crowe*, Kansas City, Mo.; *James F. Musson, Newburger, Loeb & Co.*, New York



Ronald Woodward, *Raffensperger, Hughes & Co., Inc.*, Indianapolis; Carr Payne, *Cumberland Securities Corporation*, Nashville, Tenn.; Jack M. Bass, Jr., *Jack M. Bass & Co.*, Nashville, Tenn.

Mr. & Mrs. James A. Sebold, *Coffin & Burr, Incorporated*, New York; Mr. & Mrs. Joseph T. Fuller, *William A. Fuller & Co.*, Chicago



Donald E. Furber, *Eaton & Howard, Inc.*, Boston; Andrew Lord, Jr., *Eaton & Howard*, Inc., Boston; Renouf Russell, *F. S. Moseley & Co.*, Boston; James F. Kerssey, *Baker, Weeks & Co.*, New York


Municipal Securities Committee, Breakfast Meeting: Walter H. Steel, *Drexel & Co.*, New York, Chairman


Education Committee: Robert O. Shepard, *Prescott, Shepard & Co., Inc.*, Cleveland, Chairman

In Attendance at Convention

ABERNETHY, R. S.*
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HEWARD, JAMES W.*
Butcher & Sherrerd, Philadelphia
HEWITT, CHARLES L.*
Francis I. duPont & Co., New York
HEYES, FRED L.*
Dillon, Read & Co., New York
HIBBERD, WILLIAM W.
Trust Company of Georgia, New York
HICKEY, III, MATTHEW J.
Hickey & Co., Chicago
HICKEY, ROGER
Burnham & Co., New York
HILBORNE, TOM G.*
Liberty National Bank, Oklahoma City
HILLIARD, HENNING*
J. J. B. Hilliard & Son, Louisville
HILSON, JOHN S.*
Wertheim & Co., New York
HINDS, TOM E.
Hollywood Sun Tattler, Hollywood, Fla.
HINSHAW, JOSEPH McM.*
Watling, Lerchen & Co., New York
HOBAN, EDWARD F.
McMahon & Hoban, Chicago
HOCKSTADER, II, LEONARD A.
L. F. Rothschild & Co., New York
HOLLAN, JOHN V.
Barr Brothers & Co., New York
HOLMES, Mrs. JENTRY S.
Investment Bankers Association, Washington
HOLT, NEIL M.
Morgan Guaranty Trust Company, New York
HORTON, ARTHUR
Penington, Colket & Co., Philadelphia
HOUSMAN, RUSSELL*
New York Herald Tribune, New York
HOUSTON, B. F.*
Dallas Union Securities Co., Dallas
HOWARD, C. EDWARD*
Piper, Jaffray & Hopwood, Minneapolis
HOWARD, GEORGE H.
Harris, Upham & Co., New York
HOWARD, KENNETH J.*
J. A. Hogle & Co., New York
HOWE, JAMES M.
Farwell, Chapman & Co., Chicago
HUDSON, FRED W.
Ball, Burge & Kraus, Cleveland
HUGHES, ALBERT R.*
Lord, Abbett & Co., New York
HUGHES, W. SHANNON
Raffensperger, Hughes & Co., Indianapolis
HULME, MILTON, G.*
Glover & MacGregor, Pittsburgh
HUMPHREY, Jr., ARTHUR F.*
Hulme, Applegate & Humphrey, Pittsburgh
HUNT, E. JANSEN
White, Weld & Co., New York
HUNT, Jr., ROY F.
Alester G. Furman Co., Greenville
HUNTER, DAVID W.
McKelvy & Co., Pittsburgh

HUNTER, FRANK H.
McKelvy & Co., Pittsburgh
HUTCHINSON, Jr., WILLIAM N. L.
Mitchum, Jones & Templeton, San Francisco
HUTTLINGER, KURT J.
F. P. Ristine & Co., Philadelphia
HUTTON, Jr., JAMES M.
W. E. Hutton & Co., Cincinnati
HYDE, J. HINDON
Halle & Stieglitz, New York
IJAMS, MAITLAND T.
W. C. Langley & Co., New York
ILLOWAY, LAWRENCE B.
Penington, Colket & Co., Philadelphia
JACKSON, JOHN J.*
Baker, Watts & Co., Baltimore
JACKSON, Jr., WILLIAM C.*
First Southwest Company, Dallas
JACOBS, ALGER J.*
Crocker-Anglo National Bank, San Francisco
JACOBS, Jr., HARRY A.
Bache & Co., New York
JACOBY, Jr., LEWIS P.*
Thayer, Baker & Co., Philadelphia
JACQUES, JAMES F.*
First Southwest Company, Dallas
JAMESON, ROBERT A.*
Pohl & Co., Cincinnati
JENNETT, EDWARD J.
The First National Bank, Chicago
JOHNSON, DAVID T.
Johnson, Lane, Space & Co., Savannah
JOHNSON, JOSEPH T.*
The Milwaukee Company, Milwaukee
JOHNSON, MARSHALL H.*
McDaniel Lewis & Co., Greensboro
JOHNSON, ROBERT C.*
Kidder, Peabody & Co., New York
JOHNSON, THOMAS M.*
Johnson, Lane, Space & Co., Savannah
JONES, EDWARD D.
Edward D. Jones & Co., St. Louis
JONES, RICHARD W.
Mitchum, Jones & Templeton, Los Angeles
JOSEPH, HERMAN B.
Joseph, Mellen & Miller, Cleveland
JOSEY, H. I.*
H. I. Josey & Co., Oklahoma City
KALISCH, Jr., ABNER*
Banco Popular de Puerto Rico, Santurce, Puerto Rico
KANDLIK, EDWARD A.*
Chicago Daily News, Chicago
KAVANEWSKY, JOHN F.
M. A. Schapiro & Co., New York
KEMBLE, WILLIAM T.*
Estabrook & Co., Boston
KEMP, Jr., GEORGE S.*
Abbott, Proctor & Paine, Richmond
KENNEDY, Jr., DANIEL C.
Lord, Abbett & Co., Chicago
KENNEDY, FRANK T.*
C. J. Devine & Co., New York
KENNEDY, WALTER
H. Hentz & Co., New York
KERESEY, JAMES F.*
Baker, Weeks & Co., New York
KERR, KENNETH A.*
E. F. Hutton & Co., New York
KERR, WILLIAM D.*
Bacon, Whipple & Co., Chicago
KEUSCH, ERNEST E.
W. E. Hutton & Co., New York
KILBURN, PETER*
Greenshield & Co., Montreal
KING, WILLIAM B.
Kormendi & Co., New York
KITCHEN, Jr., JOHN H.
George D. B. Bonbright & Co., Rochester
KLINGENSTEIN, FREDERICK A.
Wertheim & Co., New York
KNAPP, ALFRED S.
Janney, Dulles & Battles, Philadelphia
KNIGHT, NEWELL S.
Mercantile Trust Company, St. Louis
KNIGHT, PEYTON
S. D. Fuller & Co., New York
KNOOP, A. PETER*
Auchincloss, Parker & Redpath, New York
KNOTHE, STANNARD B.
Halle & Stiglitz, New York
KNOX, JOHN T.*
The Federal Land Banks, New York
KOCUREK, ARNOLD J.
Rauscher, Pierce & Co., San Antonio
KOERNER, IRVING
Allen & Co., New York
KOLLS, Mrs. MARGARET E.
Investment Bankers Association, Washington
KREEGER, JOSEPH P.
Jones, Kreeger & Co., Washington
KRUSE, JOHN A.
Prescott, Shepard & Co., Cleveland
KRUSEN, H STANLEY
Shearson, Hammill & Co., New York
KUCHEROV, ALEX
U. S. News & World Report, Washington
KUFRIN, GEORGE
Finance Magazine, Chicago
LABADIE, JUAN*
Government Development Bank for Puerto Rico, Santurce, Puerto Rico
LABOUISSE, JOHN P.*
Howard, Weil, Labouisse, Friedrichs & Co., New Orleans
LAMBING, Jr., MALCOLM E.
Thomas & Co., Pittsburgh
LANDSTREET, III, BEVERLY W.
Clark, Landstreet & Kirkpatrick, Nashville
LARKIN, THOMAS A.*
Goodbody & Co., New York
LATOUR, WALLACE C.*
Merrill Iynch, Pierce, Fenner & Smith, New York
LATSHAW, JOHN*
E. F. Hutton & Co., Kansas City
LAWLOR, Jr., WILLIAM J.
Hornblower & Weeks, Chicago
LAWRENCE, DAVID F.
Boettcher & Co., Denver
LAY, JOSEPH E.
The Robinson-Humphrey Co., Atlanta
LEACH, ORIN T.*
Estabrook & Co., New York
LEAF, HAROLD E.*
R. D. White & Co., New York
LEE, JAMES J.*
W. E. Hutton & Co., New York
LEMKAU, HUDSON B.
Morgan Stanley & Co., New York
LEMON, JAMES H.*
Johnston, Lemon & Co., Washington
LEVERING, WALTER B.
Carlisle & Jacquelin, New York

LeVIND, R. GEORGE*
Blyth & Co., New York
LEWIS, Jr., JAMES P.
A. G. Becker & Co., New York
LEWIS, MacBOYLE
Harris Trust & Savings Bank, San Francisco
LEWIS, MILTON F.
A. G. Becker & Co., New York
LIEBMAN, WILLIAM L.
Loewi & Co., Milwaukee
LINCOLN, Miss MARY
Investment Bankers Association Washington
LOCKETT, JOSEPH F.*
Townsend, Dabney & Tyson, Boston
LOCKWOOD, FRANK J.
Glore, Forgan & Co., New York
LOEWI, J. VICTOR*
Loewi & Co., Milwaukee
LOKAY, JOHN M.
Shearson, Hammill & Co., New York
LOOMIS, Jr., JOHN S.
City National Bank, Chicago
LORD, Jr., ANDREW J.
Eaton & Howard, Boston
LOW, V. THEODORE*
Bear, Stearns & Co., New York
LOWELL, Jr., JAMES RUSSELL*
Paine, Webber, Jackson & Curtis, New York
LUBETKIN, LLOYD E.
Lubetkin, Regan & Kennedy, New York
LUBETKIN, PHIL C.
Lubetkin, Regan & Kennedy, New York
LUBY, JOSEPH M.
Commerce Trust Company, Kansas City
LUCAS, Jr., MARK A.
Lucas, Eisen & Waeckerle, Kansas City
LUDIN, JOSEPH*
Dillon, Read & Co., New York
LUND, ANTHON H.
Amott, Baker & Co., New York
LYNCH, Jr., CHARLES McK.*
Moore, Leonard & Lynch, Pittsburgh
LYNCH, III, Thomas*
Moore, Leonard & Lynch, Pittsburgh
LYNE, LEWIS F.*
Mercantile National Bank, Dallas
LYNN, EUGENE
Wertheim & Co., New York
LYONS, LAURENCE H.
Allen & Co., New York
LYONS, SAM B.
Cruttenden, Podesta & Co., Chicago
LYONS, Jr., W. L.
W. L. Lyons & Co., Louisville
MacARTHUR, REGINALD*
Kenower, MacArthur & Co., Detroit
MacCULLEY, IRA B.
Equitable Securities Corp., New York
MacDONALD, GEORGE C.*
McLeod, Young, Weir, Inc., New York
MACHOLD, WILLIAM F.*
Drexel & Co., Philadelphia
MACKEY, DONALD D.
Dominick & Dominick, New York
MACY, NORMAN L.
The First Boston Corporation, New York
MAGNUS, WILLIAM S.
Magnus & Co., Cincinnati
MANLEY, MILTON A.*
Manley, Bennett & Co., Detroit
MARACHE, Jr., HERBERT W.
Granbery, Marache & Co., New York
MARCKWALD, ANDREW K.*
Discount Corporation, New York
MARCUSSON, P. A.
Investment Dealers' Digest, New York
MARLIN, WILLIAM
Bache & Co., New York
MARSH, SPENCER S.
Federal Reserve Bank, New York
MARTIN, GEORGE L.*
International Bank, New York
MARTIN, Jr., JUSTUS C.
The Robinson-Humphrey Co., Atlanta
MASTERSON, III, THOMAS W.
Underwood, Neuhaus & Co., Houston
MATHEWS, Jr., ROBERT C.
Trust Company of Georgia, Atlanta
NATTON, CHARLES F.*
Wachovia Bank & Trust Company, Winston-Salem
MAWDSLEY, LORRIN C.
Van Alstyne, Noel & Co., New York
MAY, J. DENNY*
The Parker Corporation, Boston
MAYNARD, WALTER*
Shearson, Hammill & Co., New York
MAYO-SMITH, WORTHINGTON
Blair & Co., New York
McALPIN, 3rd, BENJAMIN J.
Bache & Co., New York
McANDREWS, MARTIN J.
Hemphill, Noyes & Co., New York
McCALL, ARTHUR C.*
Alester G. Furman Co., Greenville
McCARLEY, J. NATHAN
McCarley & Co., Asheville
McCONNEL, Jr., W. BRUCE*
Singer, Deane & Scribner, Pittsburgh
McCORMACK, FRANK J.
H. Hentz & Co., New York
McCORMICK, EDWARD T.
American Stock Exchange, New York
McCRUM, Jr., A. BLISS
Dominick & Dominick, New York
McDONNELL, CHARLES E.*
McDonnell & Co., New York
McELROY, DAVID B.
Clark, Dodge & Co., New York
McGEE, CUSHMAN*
R. W. Pressprich & Co., New York
McGRATH, GORDON
Winslow, Cohu & Stetson, New York
McGREW, EDWARD D.*
The Northern Trust Company, Chicago
McINTIRE, WILLIAM T.
R. S. Dickson & Co., New York
McKEE, E. BATES
Bache & Co., New York
McKEON, STEPHEN G.
Chas. W. Scranton & Co., New Haven
McKIE, STANLEY
Weil, Roth & Irving Co., Cincinnati
McKNIGHT, Jr., WILLIAM G.
Eastman Dillon, Union Securities & Co., New York
McLAREN, HARRIS B.
McDonald & Co., Cleveland
McLELLAN, PHILIP F.*
Massachusetts Life Fund Distributors, Boston
McMAHON, EUGENE G.*
J. Barth & Co., New York
McNURLEN, PRESTON J.
F. S. Moseley & Co., Chicago
McVEY, Mrs. YVONNE
Indian Embassy, Washington

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In Attendance at Convention

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MEAD, W. CARROLL*
Mead, Miller & Co., Baltimore
MEANS, JAMES W.
First Southeastern Company, Atlanta
MEERS, HENRY W.
White, Weld & Co., Chicago
MELODY, THOMAS A.*
Merrill, Turben & Co., Cleveland
MENDEL, LEO
Manufacturers Trust Company, New York
MERRELL, ROLAND*
Lee Higginson Corporation, New York
MERRILL, BEARDSLEE B.*
Richards, Merrill & Peterson, Spokane
METZNER, RUSSELL H.
Central National Bank, Cleveland
MEYER, Jr., MAURICE*
Hirsch & Co., New York
MEYER, III, MAURICE
Hirsch & Co., New York
MICKLE, JOHN C.
Lehman Brothers, New York
MILLER, CHARLES M.
Mullaney, Wells & Co., Chicago
MILLER, DUNCAN
Laird & Co., New York
MILLER, EDWARD W.
The Ohio Company, Columbus
MILLER, GLENN R.*
Cruttenden, Podesta & Co., Chicago
MILLER, Jr., L. GORDON
J. C. Wheat & Co., Richmond
MIRALIA, DAVID T.*
Kuhn, Loeb & Co., New York
MITCHELL, Hon. JAMES P.
Secretary of Labor, Washington
MITCHELL, JOHN N.*
Caldwell, Marshall, Trimble & Mitchell, New York
MITCHELL, ROBIE L.*
Mitchell, Pershing, Shetterly & Mitchell, New York
MOHR, Jr., SIDNEY J.*
Thornton, Mohr & Farish, Montgomery
MOONEY, GEORGE A.*
National Assn. of Investment Companies, New York
MOORE, RODERICK D.*
Branch, Cabell & Co., Richmond
MORAN, JOHN F.*
Cooley & Co., Hartford
MOREY, RICHARD
A. G. Edwards & Sons, St. Louis
MORGAN, CHARLES F.
Morgan Stanley & Co., New York
MORGAN, EMERSON B.
Morgan & Co., Los Angeles
MORGAN, EVANS G.*
The Hanover Bank, New York
MORGAN, WILLIAM F.
Blyth & Co., New York
MORISON, ARCHIBALD J.*
Grim & Co., New York
MORONEY, ROBERT E.*
Moroney, Beissner & Co., Houston
MORRIS, CHARLES K.
F. S. Yantis & Co., Chicago
MORRIS, FRANK E.
Investment Bankers Association, Washington
MORRIS, PAT G.*
The Northern Trust Company, Chicago
MORSE, EDMOND N.
Smith, Barney & Co., New York
MORSE, EDWARD
The Associated Press, New York
MORSE, ERIC S.*
W. C. Pitfield & Co., Montreal
MORSE, WALTER E.*
Lehman Brothers, New York
MORTON, ROALD A.*
Blue List Publishing Co., New York
MORTON, WILLIAM H.*
W. H. Morton & Co., New York
MOULTON, DONALD W.*
R. H. Moulton & Co., Los Angeles
MOUNTCASTLE, Jr., KENNETH F.
Reynolds & Co., New York
MULDOON, JAMES M.
United States Investor, New York
MULLANEY, PAUL L.
Mullaney, Wells & Co., Chicago
MULLIKIN, Jr., FRED L.
First Southeastern Company, Atlanta
MUNFORD, III, BEVERLEY B.
Davenport & Co., Richmond
MURPHY, CYRIL M.
John C. Legg & Co., New York
MURPHY, DENNIS E.*
The Ohio Company, Columbus
MURPHY, H. E.*
Commercial & Financial Chronicle, New York
MURPHY, JOSEPH D.
Stifel, Niclaus & Co., Chicago
MURPHY, LESTER V.
Barr Brothers & Co., New York
MURPHY, Jr., PETER J.
Stone & Webster Securities Corporation, New York
MUSSON, JAMES F.
Newburger, Loeb & Co., New York
NARES, G. PETER*
James Richardson & Sons, New York
NEHRU, His Excellency B. K.*
Commissioner General for Economic Affairs (India), Washington
NELSON, W. LINTON*
Delaware Management Co., Philadelphia
NEUHAUS, PHILIP R.*
Underwood, Neuhaus & Co., Houston
NEWBORG, LEONARD D.
Hallgarten & Co., New York
NEWBURGER, Jr., FRANK L.*
Newburger & Co., Philadelphia
NEWHARD, HARRY W.
Newhard, Cook & Co., St. Louis
NEWMAN, Jr., A. JOSEPH*
The Philadelphia Bulletin, Philadelphia
NEWTON, GEORGE A.*
G. H. Walker & Co., St. Louis
NIELSEN, EINER
J. C. Bradford & Co., Nashville
NIX, ALLEN J.
Riter & Co., New York
NOLAN, ROBERT H.
A. M. Kidder & Co., New York
NOONAN, Jr., WILLIAM A.*
Continental Illinois National Bank, Chicago
NORRIS, EDGAR M.*
Edgar M. Norris, Greenville
NOYES, BLANCKE*
Hemphill, Noyes & Co., New York

NUGENT, JOSEPH C.
Mabon & Co., New York
O'CONNELL, HOMER J.
Blair & Co., New York
O'HARA, WALTER T.
Thomson & McKinnon, New York
O'KEEF, ROBERT H.*
The Marshall Company, Milwaukee
OLSEN, LEIF H.
M. A. Schapiro & Co., New York
OPPENHEIM, EDGAR R.*
Leo Oppenheim & Co., Oklahoma City
OSBORN, II, JAMES E.
Dominick & Dominick, New York
OSGOOD, ROBERT L.*
Vance, Sanders & Co., Boston
OSTRANDER, LEE H.
William Blair & Co., Chicago
OSTRANDER, WILLIAM L.
The First Boston Corporation, Chicago
O'SULLIVAN, JAMES E.
Philadelphia National Bank, Philadelphia
OTIS, C. BARRON*
The Bond Buyer, New York
OTTO, GEORGE J.*
Irving Lundborg & Co., San Francisco
PARCELLS, Jr., CHARLES A.*
Charles A. Parcells & Co., Detroit
PARKER, H. LAWRENCE
Morgon Stanley & Co., New York
PARKER, NATHAN K.*
Kay, Richards & Co., Pittsburgh
PARSONS, Jr., JOHN G.
Fidelity-Philadelphia Trust Company, Philadelphia
PATTERSON, DONALD C.*
Chemical Bank New York Trust Co., New York
PATTERSON, HAROLD C.*
Securities & Exchange Commission, Washington
PAYNE, CARR
Cumberland Securities Corp., Nashville
PECK, ANDREW F.
Clark, Dodge & Co., New York
PERHAM, JOHN C.*
Barron's Weekly, New York
PESCATELLO, MICHAEL*
First National City Bank, New York
PETERS, GERALD P.*
Peters, Writer & Christensen, Denver
PETERSON, E. NORMAN
Equitable Securities Corp., New York
PETERSON, ROYAL E.
J. R. Williston & Beane, New York
PEVEAR, WILLIAM W.*
Irving Trust Company, New York
PEYSER, BENJAMIN F.
Newburger, Loeb & Co., New York
PFEFFER, DELMONT K.*
First National City Bank, New York
PHILIP, PETER V. N.
W. H. Morton & Co., New York
PHILLIPS, Jr., BLAIR A.
Shearson, Hammill & Co., Chicago
PIERCE, CHARLES C.*
Rauscher, Pierce & Co., Dallas
PIETROWICZ, STEPHEN R.
Chicago Tribune, Chicago
PLATT, CHARLES M.
U. S. News & World Report, Washington
PLENTY, ROYAL H.*
Philadelphia Inquirer, Philadelphia
PODESTA, ROBERT A.*
Cruttenden, Podesta & Co., Chicago
POKORNY, JOHN M.*
Warren W. York & Co., Allentown
POOLE, MONROE V.*
Geo. B. Gibbons & Co., New York
POPPER, ELVIN K.
I. M. Simon & Co., St. Louis
PORTER, FELIX N.*
First National Bank, Oklahoma City
PORTER, Jr., JOHN L.
Television Shares Management Corp., Chicago
PORTER, WILLIAM C.
Dittmar & Co., San Antonio
POUSCHINE, IVAN
Winslow, Cohu & Stetson, New York
POWELL, JAMES M.
Boettcher & Co., Denver
POWELSON, RALPH J.
Leedy, Wheeler & Alleman, Orlando
POWERS, ROBERT A.
Smith, Barney & Co., New York
PRATT, ALBERT*
Paine, Webber, Jackson & Curtis, Boston
PRATT, MARSOM B.
Estabrook & Co., Boston
PRESCOTT, EDWARD P.
Prescott, Shepard & Co., Cleveland
PROSSER, MALCOLM S.
Seattle-First National Bank, Seattle
PURKISS, ALBERT C.*
Walston & Co., New York
PUTNAM, Jr., GEORGE*
Putnam Fund Distributors, Boston
PUTNAM, HENRY W.*
De Coppet & Doremus, New York
QLIGG, JAMES F.
Paine, Webber, Jackson & Curtis, New York
QUINN, Jr., ARTHUR H.
Philadelphia National Bank, Philadelphia
QUINN, ARTHUR P.*
Quinn & Co., Albuquerque, New Mexico
QUIST, LEO L.
Harold E. Wood & Co., St. Paul
RAGGIO, J. THAYER
Hooker & Fay, San Francisco
RAISS, JOHN*
Burnham & Co., New York
RAND, Jr., ARTHUR H.*
Woodard-Elwood & Co., Minneapolis
RANKIN, HARLEY L.*
Goldman, Sachs & Co., Philadelphia
RANNEY, BRUCE B.
Ball, Burge & Kraus, Cleveland
RAUSCHER, Jr., JOHN H.
Rauscher, Pierce & Co., Dallas
REDMAN, W. GUY
A. G. Edwards & Sons, St. Louis
REDWOOD, Jr., JOHN*
Baker, Watts & Co., Baltimore
REED, S. CHADWICK
The London Economist, New York
REESE, EUGENE M.
Newhard, Cook & Co., St. Louis
REFSNES, JOSEPH E.
Refsnes, Ely, Beck & Co., Phoenix
REILLY, F. VINCENT
Commercial & Financial Chronicle, New York
REILLY, JAMES F.
Goodbody & Co., New York

REISSNER, FRANK L.
Indianapolis Bond & Share Corporation, Indianapolis
RENDIGS, Jr., CHARLES W.
Bache & Co., New York
RENNAU, JOHN W.
Carl M. Loeb, Rhoades & Co., New York
RICE, ALAN H.*
Irving J. Rice & Co., St. Paul
RICE, WILLIAM O.
Harris Trust & Savings Bank, Chicago
RIEPE, J. CREIGHTON
Alex. Brown & Sons, Baltimore
RIGHTER, BREWSTER*
S. D. Fuller & Co., New York
RILEY, WILLIAM J.
E. F. Hutton & Co., New York
ROBERTS, MALCOLM F.
Garrett-Bromfield & Co., Denver
ROBERTS, WILLIAM J.
Glore, Forgan & Co., Chicago
ROBINSON, ARTHUR R.
Industrial National Bank, Providence
ROBINSON, EDWARD H.
Schwabacher & Co., New York
ROBSON, GEORGE U.*
Walston & Co., Ft. Lauderdale, Fla.
ROCKEFELLER, Jr., AVERY
Dominick & Dominick, New York
RODDY, JAMES E.
Scharff & Jones, New Orleans
ROEHL, ORA C.
The Keystone Company, Boston
ROGERS, DONALD I.
New York Herald Tribune, New York
ROGERS, PHILIP O.
John C. Legg & Co., Baltimore
ROGERS, Jr., SAMPSON
McMaster Hutchinson & Co., Chicago
ROOSEVELT, JULIAN K.*
Dick & Merle-Smith, New York
ROSE, MIDDLETON*
Laird, Bissell & Meeds, New York
ROSENTHAL, WARNER A.
Straus, Blosser & McDowell, Chicago
ROSS, ALFRED J.*
Dick & Merle-Smith, New York
ROSSANT, M. J.
Business Week, New York
ROWE, ROBERT G.*
Stroud & Co., Philadelphia
ROWLES, RUSSELL R.
Rowles, Winston & Co., Houston
RUSSELL, JAMES A.
Van Alstyne, Noel & Co., New York
RUSSELL, RENOUF
F. S. Moseley & Co., Boston
RUTHERFORD, GEORGE P.*
Dominion Securities Corporation, New York
RYAN, III, ALLAN A.
Smith, Barney & Co., New York
RYAN, THOMAS C.
A. E. Masten & Co., Pittsburgh
SAGE, II, ANDREW G. C.
Lehman Brothers, New York
SANDERS, JESSE A.*
Sanders & Co., Dallas
SANFORD, Jr., JOHN B.*
White, Hattier & Sanford, New Orleans
SAPP, ALLEN D.
Schmidt, Roberts & Parke, Philadelphia
SARGENT, JAMES C.
Securities & Exchange Commission, Washington
SAUL, FRANKLIN
First National City Bank, New York
SAUNDERS, WILLIAM L.
A. G. Becker & Co., Chicago
SCHAFER, GEORGE
Brown Brothers Harriman & Co., New York
SCHANCK, Jr., FRANCIS R.
Bacon, Whipple & Co., Chicago
SCHERCK, GORDON*
Scherck, Richter Co., St. Louis
SCHLUTER, HAROLD J.
First National Bank of Chicago, New York
SCHMELZLE, RICHARD A.*
Fusz-Schmelzle & Co., St. Louis
SCHMIDT, WALTER A.
Schmidt, Roberts & Parke, Philadelphia
SCHOENEBERGER, CHARLES A.
National Boulevard Bank, Chicago
SCHREDER, HAROLD X.*
Distributors Group, Inc., New York
SCHUTZ, JOHN C.
Chiles-Schutz Co., Omaha
SCHWERENS, MURRAY R.
World-Telegram & Sun, New York
SCOTT, BUFORD
Scott & Stringfellow, Richmond
SCOTT, SIDNEY BUFORD
Scott & Stringfellow, Richmond
SCULLY, GEORGE G.
The Ohio Company, Columbus
SEBEL, HARRY L.*
Selected Investments Company, Chicago
SEBOLD, JAMES A.*
Coffin & Burr, New York
SEDLMAYR, J. H.*
Merrill Lynch, Pierce, Fenner & Smith, New York
SEEBECK, ROBERT F.
Smith, Barney & Co., New York
SEIDLER, Jr., ALEX.*
National State Bank, Newark
SELLEW, WILLIAM W.
G. H. Walker & Co., New York
SEWARD, C. CARROLL
Yarnall, Biddle & Co., Philadelphia
SHANKS, WILLIAM S.
The Bond Buyer, New York
SHAW, LEO G.
Ladenburg, Thalmann & Co., New York
SHEA, EARL
Chicago's American, Chicago
SHEAFFER, THEODORE C.*
Janney, Dulles & Battles, Philadelphia
SHELLEY, WILLIAM F.*
Vance, Sanders & Co., Boston
SHELTON, LOCKETT*
Republic National Bank, Dallas
SHEPARD, ROBERT O.*
Prescott, Shepard & Co., Cleveland
SHERBURNE, HAROLD H.
Bacon, Whipple & Co., New York
SHERRILL, H. VIRGIL*
Shields & Co., New York
SHOCKEY, THOMAS H.
Julien Collins & Company, Chicago
SHOLLEY, S. L.*
The Keystone Company, Boston
SHORT, JOSEPH P.*
Arthurs, Lestrange & Co., Pittsburgh
SHREVE, WICKLIFFE
Hayden, Stone & Co., New York
SIEFERT, RUSSELL E.*
Stern Brothers & Co., Kansas City
SIMON, JAY
City National Bank, Chicago

SIMON, WILLIAM E.*
Weeden & Co., New York
SIMONDS, RALPH W.*
Baker, Simonds & Co., Detroit
SIMONSON, Jr., HENRY J.*
National Securities & Research Corp., New York
SIMPSON, Jr., F. BRADFORD
Hallgarten & Co., New York
SIMPSON, WILLIAM G.*
Simpson, Emery & Co., Pittsburgh
SIPP, Jr., PAUL L.*
Stern, Lauer & Co., New York
SLADE, JARVIS J.*
F. Eberstadt & Co., New York
SLEVIN, JOSEPH R.*
New York Herold Tribune, Washington
SMITH, J. RAYMOND
Weeden & Co., New York
SMITH, MARK A.
F. W. Craigie & Co., Richmond
SMITH, PHILIP
Calvin Bullock, Ltd., Philadelphia
SMITH, PHILIP C.*
National Securities & Research Corp., Chicago
SMYTH, THOMAS W.
First Pennsylvania Banking & Trust Co., Philadelphia
SNYDER, HARRY B.
Yarnall, Biddle & Co., Philadelphia
SOMERS, HOWARD B.*
Camp & Co., Portland
SORENSEN, WALTER M.*
Rotan, Mosle & Co., Houston
SOUSS, PEDRO*
Government Development Bank, Santurce, Puerto Rico
SPADE, WAYNE M.*
Watling, Lerchen & Co., Detroit
SPECHT, GERARD C.
Mitchell, Hutchins & Co., Chicago
SPENCE, W. FREDERICK
Townsend, Dabney & Tyson, Boston
STAFFORD, JOHN H.*
Lee Higginson Corporation, New York
STANSBERRY, FLOYD F.
Bankers Trust Company, New York
STAPLES, JACK R.
Fulton, Reid & Co., Cleveland
STARRING, Jr., MASON B.
A. C. Allyn & Co., New York
STEARNS, GEORGE R.*
The Economist, Chicago
STEARNS, PHILIP M.
Oscar E. Dooly & Co., Miami
STEEL, WALTER H.*
Drexel & Co., New York
STEELE, HARRY J.*
H. J. Steele & Co., Pittsburgh
STEIN, ELLIOT H.*
Scherck, Richter Co., St. Louis
STENSON, JAMES
Continental Illinois National Bank, New York
STEPHENSON, EDWIN A.
The Chase Manhattan Bank, New York
STEVENS, WILLIAM A.
J. C. Wheat & Co., Richmond
STEVENSON, G. C.*
Bacon, Stevenson & Co., New York
STEVENSON, REX*
Nesbitt, Thomson & Co., New York
STEVENSON, III, ROBERT
Investment Bankers Association, Washington
STEVENSON, Jr., WALKER W.*
Hemphill, Noyes & Co., New York
STODDARD, DONALD A.*
Morgan Guaranty Trust Co., New York
STOHL, WALTER H.
Fidelity Union Trust Company, Newark
STOLLE, CARL
G. A. Saxton & Co., New York
STONE, Jr., FRED D.*
Marine Trust Company, New York
STRAUS, FREDERICK W.
Straus, Blosser & McDowell, Chicago
STRAVITZ, HENRY*
Swiss American Corporation, New York
STUEBNER, ERWIN A.*
Kidder, Peabody & Co., Chicago
SULLIVAN, Jr., MARK
Auchincloss, Parker & Redpath, Washington
SUPLEE, WILLIAM Z.
Suplee, Yeatman, Mosley Co., Philadelphia
SWINARTON, ROBERT
Dean Witter & Co., New York
SYKES, MACRAE*
Shields & Co., New York
TAYLOR, GARRETT H.*
Wood, Gundy & Co., New York
TEGELER, JEROME F.*
Dempsey-Tegeler & Co., St. Louis
TERRELL, ALLEN M.*
Girard Trust Corn Exchange Bank, Philadelphia
THAYER, ROBERT L.
Lehman Brothers, New York
THEIS, HARRY
Albert Theis & Sons, St. Louis
THEIS, Mrs. HARRY
Harry Theis, St. Louis
THIERIOT, CHARLES H.
Carlisle & Jacquelin, New York
THOMPSON, KENNETH*
Luce, Thompson & Crowe, Kansas City
THORS, J. EMERSON
Kuhn, Loeb & Co., New York
THORS, JAY E.
Asiel & Co., New York
THORSEN, LESTER J.
Glore, Forgan & Co., Chicago
TODD, WILLIAM H.*
Kuhn, Loeb & Co., New York
TOMASIC, ANTHONY E.*
Thomas & Co., Pittsburgh
TORREY, DAVID L.*
W. C. Pitfield & Co., New York
TOWBIN, BELMONT*
C. E. Unterberg, Towbin Co., New York
TRAINOR, COLEMAN E.
Peoples National Bank, Charlottesville
TRESCH, ARTHUR
A. E. Masten & Co., Pittsburgh
TREUHOLD, CHARLES R.
Lehman Brothers, New York
TRIPP, JEROME C. L.
Tripp & Co., New York
TSOLAINOS, K. P.*
Baker, Weeks & Co., New York
TURNER, ARTHUR C.
New York Hanseatic Corp., New York
TURNER, JOHN W.
Eppler, Guerin & Turner, Dallas
UNDERHILL, ARTHUR J. C.
Arthur Wiesenberger & Co., New York
VALENTINE, HENRY L.
Davenport & Co., Richmond

VANEK, WILLIAM S.*
Manufacturers Trust Company, New York
VAN HORNE, JOHN E.*
J. Cliff Rahel & Co., Omaha
VAN INGEN, Jr., BERNARD J.
B. J. Van Ingen & Co., New York
VARNEDOE, SAM L.
Varnedoe, Chisholm & Co., Savannah
VEAZIE, WILDES W.
Mabon & Co., New York
VEAZIE, Jr., WILDES W.
Braun, Bosworth & Co., New York
VIALE, CHESTER W.*
L. F. Rothschild & Co., New York
VICINO, WALTER J.
Stewart, Eubanks, Meyerson & Co., San Francisco
VICK, MAURICE B.
M. B. Vick & Co., Chicago
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De Haven & Townsend, Crouter & Bodine, New York
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Dillon, Read & Co., New York
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Mercantile Trust Company, New York
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WALKER, LOUIS
G. H. Walker & Co., Hartford
WALLACE, HUGH C.*
Francis I. duPont & Co., New York
WALLACE, WALTER C.
Department of Labor, Washington, D. C.
WALLACE, WILLIAM J.
Mellon National Bank, Pittsburgh
WALSH, HAROLD
Los Angeles Times, Los Angeles
WANDERS, GEORGE*
The Bond Buyer, New York
WARD, FRANCIS V.
H. C. Wainwright & Co., Boston
WARDEN, FRANK R.*
Central National Bank, Des Moines
WASSERMAN, JOHN
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Export-Import Bank, Washington
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White, Weld & Co., New York
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Bear, Stearns & Co., New York
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The First National Bank, Chicago
WERLY, CHARLES M.*
Putnam Fund Distributors, Boston
WESTON, LEWIS M.
Goldman, Sachs & Co., New York
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WHITE, Mrs. KELTON E.
Kelton E. White, St. Louis
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American Securities Corporation, New York
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Carl M. Loeb, Rhoades & Co., New York
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Barrons Publishing Company, New York
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Model, Roland & Stone, New York
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Winslow, Cohu & Stetson, New York
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Dean Witter & Co., New York
WITTER, WILLIAM M.
Dean Witter & Co., Chicago
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Hayden, Stone & Co., Boston
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Wood, King & Dawson, New York
WOOD, FRANK A.
Goodbody & Co., New York
WOOD, KENNETH H.
J. C. Bradford & Co., New York
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Raffensperger, Hughes & Co., Indianapolis
WREN, LAWRENCE
Allen & Co., New York
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Peters, Writer & Christensen, Denver
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The Robinson-Humphrey Company, Altanta
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Bosworth, Sullivan & Co., Denver
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A. M. Kidder & Co., New York
ZAHNER, VICTOR H.*
Zahner & Co., Kansas City
ZEITLER, JOHN R.
Third National Bank, Nashville
ZILKA, JAMES H.*
Zilka, Smither & Co., Portland
ZUCKER, ABRAHAM W.*
Tuller & Zucker, New York

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